



C C LAND HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)
Stock Code: 1224



ANNUAL REPORT **2017**



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Corporate Information

DIRECTORS

Executive directors

Mr. Cheung Chung Kiu (*Chairman*)
Dr. Lam How Mun Peter
(*Deputy Chairman & Managing Director*)
Mr. Tsang Wai Choi (*Deputy Chairman*)
Mr. Wong Chi Keung (*Deputy Chairman*)
Mr. Leung Chun Cheong
Mr. Leung Wai Fai

Independent non-executive directors

Mr. Lam Kin Fung Jeffrey
Mr. Leung Yu Ming Steven
Dr. Wong Lung Tak Patrick

AUDIT COMMITTEE

Mr. Lam Kin Fung Jeffrey (*Chairman*)
Mr. Leung Yu Ming Steven
Dr. Wong Lung Tak Patrick

NOMINATION COMMITTEE

Mr. Cheung Chung Kiu (*Chairman*)
Dr. Lam How Mun Peter
Mr. Lam Kin Fung Jeffrey
Mr. Leung Yu Ming Steven
Dr. Wong Lung Tak Patrick

REMUNERATION COMMITTEE

Mr. Leung Yu Ming Steven (*Chairman*)
Mr. Cheung Chung Kiu
Dr. Lam How Mun Peter
Mr. Lam Kin Fung Jeffrey
Dr. Wong Lung Tak Patrick

AUTHORISED REPRESENTATIVES

Dr. Lam How Mun Peter
Mr. Leung Chun Cheong

COMPANY SECRETARY

Ms. Cheung Fung Yee

WEBSITE

www.ccland.com.hk

STOCK CODE

1224

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Rooms 3308-10, 33rd Floor
China Resources Building
26 Harbour Road
Wanchai, Hong Kong

INDEPENDENT AUDITORS

Ernst & Young
Certified Public Accountants

LEGAL ADVISORS

Hong Kong
Cheung Tong & Rosa Solicitors

Bermuda
Conyers Dill & Pearman

SHARE REGISTRARS AND TRANSFER OFFICES

Principal share registrar and transfer office
MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM 08, Bermuda

Hong Kong branch share registrar and transfer office
Tricor Secretaries Limited
Level 22
Hopewell Centre
183 Queen's Road East
Hong Kong

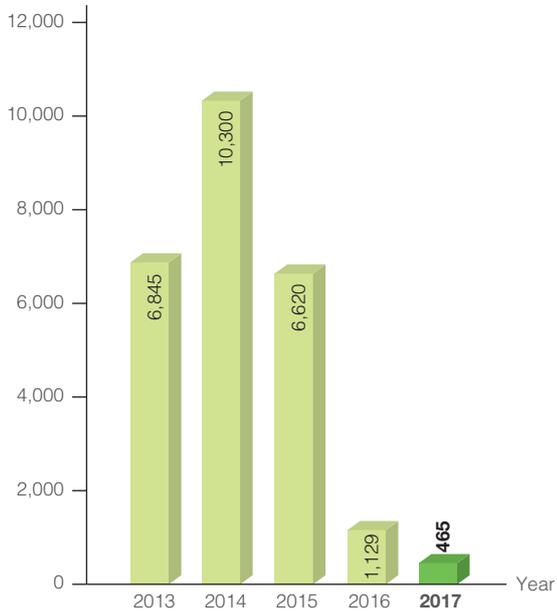
PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Bank of China (Hong Kong) Limited
Chong Hing Bank Limited
Hang Seng Bank Limited
ING Bank N.V., London Branch
The Bank of East Asia, Limited
Wing Lung Bank Limited

REVENUE

Year ended 31 December

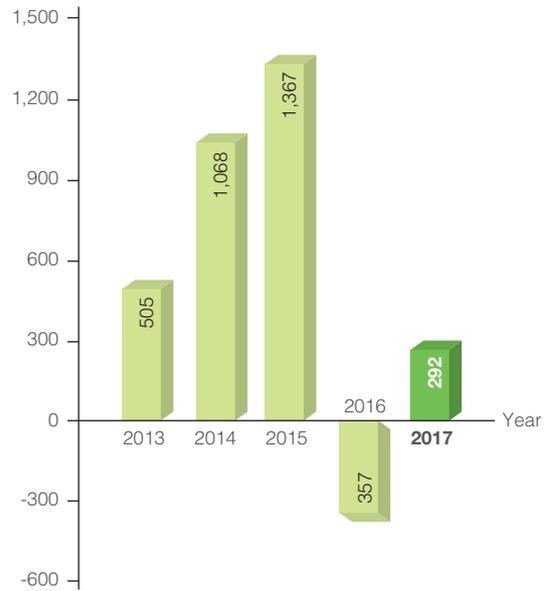
HK\$million



PROFIT/LOSS ATTRIBUTABLE TO SHAREHOLDERS

Year ended 31 December

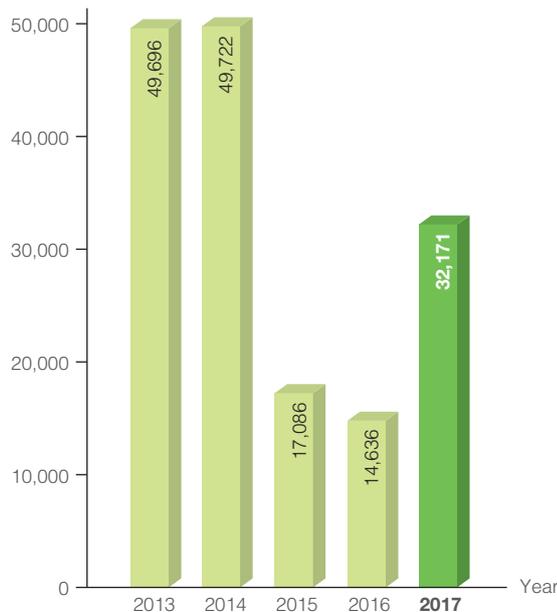
HK\$million



TOTAL ASSETS

As at 31 December

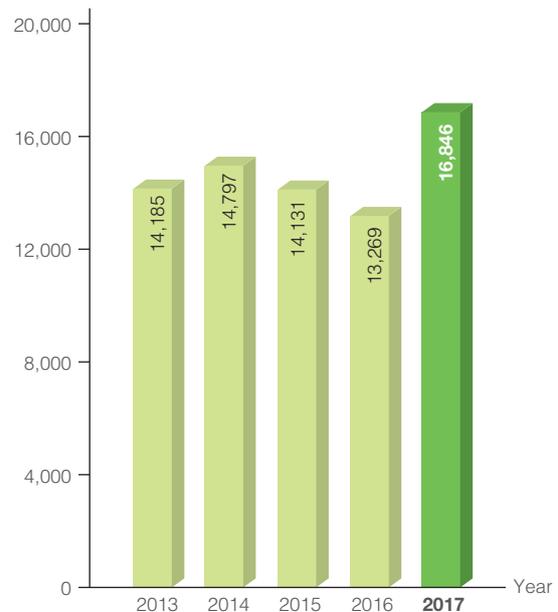
HK\$million



SHAREHOLDERS' EQUITY

As at 31 December

HK\$million



EXECUTIVE DIRECTORS

Mr. CHEUNG Chung Kiu, aged 53, was first appointed Executive Director of the Company on 22 June 2000 and became Chairman on 22 November 2006. He also serves as a Director of several subsidiaries of the Company. As Chairman, Mr. Cheung is mainly responsible for leading the Board and managing its work to ensure that the Board effectively operates and fully discharges its responsibilities. Mr. Cheung has a wide range of experience in investment and business management, including over 20 years of property development and investment experience mainly in Hong Kong and in the PRC as well as other mature cities globally. In addition, Mr. Cheung is the founder and Chairman of Yugang International Limited ("Yugang"), Chairman and Managing Director of Y. T. Realty Group Limited ("Y.T. Realty") and Chairman of The Cross-Harbour (Holdings) Limited ("Cross-Harbour"), the shares of all these companies are listed on the Stock Exchange. He is also a director of Regulator Holdings Limited, Yugang International (B.V.I.) Limited, Chongqing Industrial Limited, Palin Holdings Limited, Thrivetrade Limited and Fame Seeker Holdings Limited, which are companies disclosed under the section headed "Discloseable Interests and Short Positions of Shareholders under the SFO" on page 29.

Dr. LAM How Mun Peter, aged 70, was first appointed Executive Director of the Company on 3 June 1998 and became Managing Director and Deputy Chairman on 9 April 1999 and 22 November 2006 respectively. Dr. Lam was one of the founders of our Group in 1989. He also serves as a Director of several subsidiaries of the Company. As Managing Director, Dr. Lam is mainly responsible for overseeing the Group's day-to-day management, recommending strategies to the Board, and determining and implementing operational decisions. Dr. Lam graduated from the University of Hong Kong with a bachelor's degree in Medicine and Surgery in 1972. He is a fellow of the Royal College of Surgeons of Edinburgh and the American College of Surgeons. In addition to his extensive experience in medical practice, Dr. Lam has over 20 years of extensive experience in corporate management, real estate and investment.

Mr. TSANG Wai Choi, aged 69, was appointed Executive Director of the Company on 14 May 2007 and became Deputy Chairman on 1 June 2008. Graduated from the Sichuan Construction Material College (四川省建築材料學校), Mr. Tsang has extensive experience in various segments of the construction industry in the PRC, including over 20 years of experience in property development as a professional project manager. As a front-runner in property development using private capital in the city of Chongqing, Mr. Tsang has been over-all in charge of a number of large-scale property projects in the city since 1991.

Mr. WONG Chi Keung, aged 62, was appointed Executive Director and Deputy Chairman of the Company on 1 March 2016. He also serves as a Director of several subsidiaries of the Company. Mr. Wong is mainly responsible for recommending investment strategies to the Board and overseeing the Group's property development and investment business. He holds a degree of Doctor of Philosophy in Business from Honolulu University and is a professional member of the Royal Institution of Chartered Surveyors, and a member of The Hong Kong Institute of Housing and the Chartered Institute of Housing. He is a fellow member of Hong Kong Institute of Real Estate Administrators and The Hong Kong Institute of Directors and an honorary fellow of Guangxi Academy of Social Sciences. Mr. Wong has held senior executive positions with various leading property companies and property consultant firms in Hong Kong in the past 30 years. In addition, Mr. Wong is currently an Executive Director of Cross-Harbour and an Independent Non-executive Director of Water Oasis Group Limited, the shares of these two companies are listed on the Stock Exchange.

Mr. LEUNG Chun Cheong, aged 68, was appointed Executive Director of the Company on 3 June 1998. He also serves as a Director of several subsidiaries of the Company. Mr. Leung has joined the Group since 1995. He is mainly responsible for overseeing the Group's financial management and financial functions and governance. Prior to joining the Group, Mr. Leung had held senior positions in various companies and in the professional field in Hong Kong. He has over 35 years extensive experience in auditing and financial management. Mr. Leung is a fellow of the Association of Chartered Certified Accountants in the United Kingdom and an associate of the Hong Kong Institute of Certified Public Accountants.

Mr. LEUNG Wai Fai, aged 56, was appointed Executive Director of the Company on 3 December 1999. He also serves as a Director of several subsidiaries of the Company. Mr. Leung is mainly responsible for overseeing the Group's corporate finance and management. Graduated from the University of Wisconsin-Madison, the United States of America with a bachelor's degree in Business Administration in 1985, Mr. Leung is a fellow of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants in the United Kingdom. He has over 30 years of extensive experience in accounting and financial reporting. In addition, Mr. Leung is an Executive Director of Cross-Harbour, and the Group Financial Controller of Yugang.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LAM Kin Fung Jeffrey, GBS, JP, aged 66, was appointed Independent Non-executive Director of the Company on 3 June 1998. Mr. Lam holds a Bachelor Degree in mechanical engineering from Tufts University in the United States. He has over 30 years of experience in the toy industry and is currently the Managing Director of Forward Winsome Industries Limited which is engaged in toy manufacturing. Mr. Lam was awarded a Gold Bauhinia Star by the Government of the HKSAR in 2011. He also holds a number of public and community service positions including Member of the National Committee of the Chinese People's Political Consultative Conference, Member of the Legislative Council and Non-Official Member of the Executive Council in Hong Kong, Chairman of Independent Commission Against Corruption Complaints Committee, Director of The Hong Kong Mortgage Corporation Limited, Board Member of the Airport Authority Hong Kong, General Committee Member of the Hong Kong General Chamber of Commerce and Member of the Fight Crime Committee. In addition, Mr. Lam is an Independent Non-executive Director of Wynn Macau, Limited, China Overseas Grand Oceans Group Ltd., Chow Tai Fook Jewellery Group Limited, CWT International Limited (formerly known as HNA Holding Group Co. Limited) and i-Cable Communications Limited, the shares of all these companies are listed on the Stock Exchange.

Mr. LEUNG Yu Ming Steven, aged 58, was appointed Independent Non-executive Director of the Company on 1 October 2007. Mr. Leung holds a Degree of Master in Accountancy from Charles Sturt University in Australia and a Degree of Bachelor of Social Sciences from the Chinese University of Hong Kong. He is an associate of the Institute of Chartered Accountants in England and Wales, a certified practicing accountant of CPA Australia and a fellow of the Association of Chartered Certified Accountants in the United Kingdom, the Hong Kong Institute of Certified Public Accountants and the Taxation Institute of Hong Kong. Mr. Leung is a practicing certified public accountant in Hong Kong. He previously worked in Nomura International (Hong Kong) Limited as Assistant Vice-President in the International Finance and Corporate Finance Department. He commenced public practice in auditing and taxation in 1990 and is currently the senior partner of a firm of certified public accountants. He has over 25 years of experience in assurance, accounting, taxation, financial management and corporate finance. Mr. Leung is an Independent Non-executive Director of Suga International Holdings Limited, Yugang, Y.T. Realty and Cross-Harbour, the shares of all these companies are listed on the Stock Exchange.

Dr. WONG Lung Tak Patrick, BBS, JP, aged 70, was appointed Independent Non-executive Director of the Company on 1 October 2007. Dr. Wong is a Certified Public Accountant (Practicing) and a Certified Tax Adviser in Hong Kong and also a Chartered Secretary in the United Kingdom and in Hong Kong. He is currently the Managing Practising Director of Patrick Wong CPA Limited. He has over 40 years experience in the accountancy profession. Dr. Wong holds a Doctor of Philosophy in Business degree, was awarded a Badge of Honour by the Queen of England in 1993 and was appointed a Justice of the Peace in 1998. He was also awarded a Bronze Bauhinia Star by the Government of the HKSAR in 2010. Dr. Wong is an Independent Non-executive Director of Galaxy Entertainment Group Limited, Water Oasis Group Limited, Sino Oil and Gas Holdings Limited, National Arts Entertainment and Culture Group Limited, Winox Holdings Limited, 北京汽車股份有限公司 (BAIC Motor Corporation Limited) and Li Bao Ge Group Limited, the shares of all these companies are listed on the Stock Exchange.

Chairman's Statement

To our shareholders,

I am pleased to present the annual results of the Group for the year ended 31 December 2017.

For the year ended 31 December 2017, the Group achieved a consolidated revenue of HK\$464.6 million, representing a decrease of approximately 58.9% compared to HK\$1,129.4 million in 2016. However, the Group has turned around with a net profit of HK\$291.9 million (2016: a net loss of HK\$356.8 million) for the year. The profit attributable to shareholders for the year was HK\$291.9 million (2016: a loss attributable to shareholders of HK\$356.8 million). The basic earnings per share for the year was HK8.42 cents (2016 restated: a basic loss per share of HK13.74 cents).

BUSINESS REVIEW

After almost ten years of property development history in Western China since 2006, the Group started to venture into metropolitan cities globally. In early 2017, the Group started to build its property portfolio globally by acquiring its first project in London, United Kingdom.

In 2017, revival of the global economic growth was clearly evident, with advanced economies in the Euro area seeing notable recovery with growth which was generally stronger than expected. The Group's strategy to build up a portfolio of investment properties in the United Kingdom in early 2017 proved to be a success, with the acquisition of two trophy assets, One Kingdom Street, and The Leadenhall Building. These are both located in the heart of London's business centre with a combined value of approximately GBP1.45 billion. The portfolio has begun to bear fruit, with encouraging relative performance.

In August 2017, the Group entered into a 50:50 joint venture with Guangzhou R&F Properties Co., Ltd. to acquire the Nine Elms Square Project located at the New Covent Garden Market in London. From this acquisition, the Group has gained exposure in project development activities which can augment the Group's investment property portfolio in the United Kingdom.

The Nine Elms Square Project is a mixed-use residential-dominant development project, occupying a site of 10.3 acres (4.2 hectares) located at the New Covent Garden Market, London. The project is planned to provide a total saleable area of about 1.7 million sqf of residential, office and retail spaces.

As demand for office space is expected to remain strong in the financial districts of London, and to be a player in commercial real estate development, the Group entered into partnership with three other parties in December 2017 to acquire an office development project, occupying a site of 2.5 acres (1.01 hectares) located at the insurance industry's heartland in London, United Kingdom. The Group has a 35% interests. The site will provide approximately 1.1 million sqf of office and retail spaces. The acquisition is expected to be completed in the first half of 2018. Significant returns are expected from this project.

The Group's existing property portfolio has added value and driven up income for the Group. The property investment portfolio alone generates an annual rental yield of 3.7%.

OUTLOOK

In spite of the sustained strength of the UK economy since the EU referendum, the depreciation of the pound sterling following the decision to leave the EU has increased inflation and uncertainty in the UK economy. However, the Group is well placed in terms of the quality of its investment properties with a strong tenant base. The UK commercial properties normally produce an attractive and sustainable long term income, which when coupled with the generally limited supply and strong and stable demand in the market, should help reduce volatility.

It is encouraging to see these acquisitions in place in such a short period following the repositioning of the Group's operations, which are the results of some very hard and tenacious work, and some speedy and major executive decisions by the management. The scope of the Group's business has now extended to commercial property investment and development. A subsidiary in London has been set up to provide asset management support to the Group's property investment and development projects in the region. The local London team consists of real estate professionals with extensive experience in the industry. The establishment will look for opportunities to participate in asset management services to outside parties in the future.

The Company did a rights issue in April 2017, raising a net proceeds of about HK\$2.58 billion to replenish its general working capital. After a number of investments in the year, the Group maintains a cash position of approximately HK\$4.7 billion which is immediately available for any new sweet investment opportunity. The strong balance sheet and acceptable gearing level will also allow the Group to invest more in the property sector globally. In the long run, the Group would like to build a portfolio of investment properties with a strong and steady income stream and to derive sales revenue and profits from property development projects.

ACKNOWLEDGEMENTS

I would like to express my sincere appreciation to the Board, management and staff for their diligence, loyalty and dedication. I am grateful to our shareholders, strategic partners and bankers for their support and trust which have contributed towards the Group's success.

Cheung Chung Kiu
Chairman

Hong Kong, 23 March 2018

RESULTS

The Group achieved a consolidated revenue of HK\$464.6 million, representing a decrease of approximately 58.9% compared to HK\$1,129.4 million in 2016. The Group's net profit for the year was HK\$291.9 million (2016: a net loss of HK\$356.8 million). The profit attributable to shareholders for the year was HK\$291.9 million (2016: a loss attributable to shareholders of HK\$356.8 million). The basic earnings per share for the year was HK8.42 cents (2016 restated: a basic loss per share of HK13.74 cents).

FINAL DIVIDEND

The directors are pleased to recommend a final dividend of HK\$0.02 (2016: Nil) per ordinary share to shareholders who are registered on the Register of Members of the Company at the close of business on 30 May 2018. Subject to approval at the forthcoming AGM, dividend warrant will be sent to shareholders on or about 8 June 2018.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Wednesday, 16 May 2018 to Monday, 21 May 2018, both days inclusive, for determining the eligibility of shareholders for attending and voting at the AGM. In order to qualify for attending and voting at the AGM, all transfer documents accompanied by the relevant share certificates should be lodged for registration with Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m., on Tuesday, 15 May 2018.

The Register of Members of the Company will also be closed from Monday, 28 May 2018 to Wednesday, 30 May 2018, both days inclusive, for determining the eligibility of shareholders for the proposed final dividend. In order to qualify for the proposed final dividend, all transfer documents accompanied by the relevant share certificates should be lodged for registration with Tricor Secretaries Limited of above address no later than 4:30 p.m., on Friday, 25 May 2018.

BUSINESS REVIEW

The Group recorded a revenue of HK\$464.6 million in 2017, a decrease of 58.9% compared to HK\$1,129.4 million in 2016. The substantial drop on revenue was due to the strategic disposals of property development projects in previous years and as a result, the number of properties available for sale became smaller. The Group however recorded a turnaround full year net profit of HK\$291.9 million from a net loss of HK\$356.8 million in 2016 which were attributable to a number of the following positive factors:— the rental income of HK\$342.9 million (2016: Nil) from its investment properties in the United Kingdom acquired in 2017; the gains on revaluation of investment properties of HK\$33.2 million; an one-off gain amounting to HK\$101.6 million mainly resulting from the rental top up received from the vendors of The Leadenhall Building; the gain on disposal of a joint venture in the amount of HK\$84.7 million (2016: Nil); substantial reduction in net fair value losses on equity investments at fair value through profit or loss by HK\$191.1 million to HK\$4.2 million; aggregate net losses from disposal and impairment of available-for-sale investments substantially decreased by HK\$134.9 million to HK\$65.7 million; net exchanges gains of HK\$106.3 million (2016: net losses of HK\$111.3 million); and, partially offset by the one-off costs of approximately HK\$89.5 million in relation to the acquisition of the London projects.

The treasury investment segment recorded realized losses of HK\$17.5 million (2016: realized gains of HK\$14.3 million) and realized gains of HK\$13.2 million (2016: realized losses of HK\$48.1 million) on disposal of equity investments at fair value through profit and loss and available-for-sale investments respectively as a result of the volatility in the equity market in Hong Kong. The fair value losses on equity investment at fair value through profit and loss were HK\$4.2 million in 2017 (2016: HK\$195.3 million).

Revenue and Operating Profit

The Group's property business had largely focused on the Western China market in the past. The strategic disposals of the PRC property development projects in the second half of 2016 led to a substantial decline of property sales revenue to HK\$19.7 million from HK\$881.7 million in 2016. The total booked gross floor area was 3,900 sqm (2016: 164,400 sqm). The booked gross profit margin for the year was 22% (2016: 17%).

Our financial results for the year reflected the Group's successful shift from property development to property investment. The Group's revenue for the year 2017 was HK\$464.6 million, down 58.9% from HK\$1,129.4 million in 2016. The Group's completed acquisitions of One Kingdom Street in January and of The Leadenhall Building in May 2017 contributed a significant increase in rental income for the Group, amounting to HK\$342.9 million (2016: Nil).

Management Discussion and Analysis

The profit attributable to shareholders was HK\$291.9 million. The operating profit, however, has been adversely affected by the one-off cost of HK\$89.5 million incurred on the above acquisitions. Since these costs are not recurring in nature, only the year under review is affected.

With the further acquisitions of two development projects through joint ventures and partnerships, both of which are in London, the United Kingdom, the Group's business in the future will include both property investment and development activities.

Investment Properties

During the year, the Group owns two office buildings in the United Kingdom and one office building in Australia for rental income.

United Kingdom

London is one of the key financial centers in the world. Although Brexit has created some uncertainties in the future of the United Kingdom, the London property market still attracts investors from all over the world.

As at 31 December 2017, the Group had acquired two commercial properties in London, the United Kingdom, namely The Leadenhall Building and, One Kingdom Street. The Group holds 100% interest in these two properties. Together, the two commercial properties comprise approximately 875,000 sqf of gross floor area, and were fully leased out as at 31 December 2017.

During the year 2017, the Group generated a rental income of HK\$342.9 million (2016: Nil) from its investment properties in the United Kingdom.



The Leadenhall Building
Closing Ceremony (June 2017)

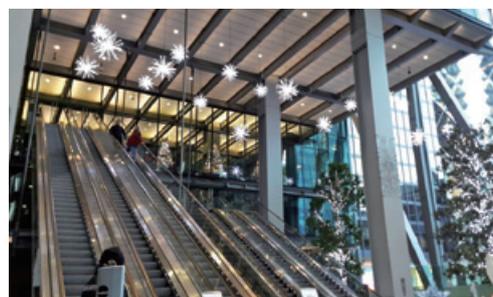


The Leadenhall Building

The Leadenhall Building

Acquisition of the building was completed on 25 May 2017, marking a new milestone for the Group in its effort to expand into the global real estate market. The Leadenhall Building is an iconic award-winning building situated in the prime financial and insurance district of London. Completed in 2014, The Leadenhall Building is a world class skyscraper and office tower boasting an impressive lease portfolio commanding strong recurrent rentals and will be held by the Group as an investment property for long term capital growth. It is a commercial tower with over 46 floors, comprising approximately 610,000 sqf of office and retail space and is fully multi-let with a weighted average unexpired lease term of approximately 12 years with over 9 years on a term-certain basis. The building's tenant base includes a number of

major international insurance companies alongside with other financial institutions, technology, and professional service businesses. The property occupies a site of 0.94 acre (0.38 hectares) and rises to 736 feet in height. The current annual rental income of The Leadenhall Building is in the region of GBP40.2 million. As at year end of 2017, all of the office space was leased. The rental yield is approximately 3.5% per annum. Given the building's design and its list of reputable tenants and nature of the leases, a strong recurring rental income is guaranteed for the Group, as well as providing great potentials for long term capital growth. This acquisition forms a solid base for the Group's property investment in the United Kingdom, affirms the Group's presence in the international property markets, and helps boost the chances of potential investments of the Group in other major global cosmopolitan cities. It is in line with the business strategy of the Group to invest in quality property projects in mature cities globally.



Entrance of The Leadenhall Building
during Christmas



One Kingdom Street

One Kingdom Street

The acquisition of the building was completed on 27 January 2017. The One Kingdom Street building is located in the Paddington area. It provides approximately 265,000 sqf of Grade A office accommodation and some parking spaces, with a current annual rental income of approximately GBP14.5 million, equivalent to an annual yield of 4.9%. The building is fully leased to reputable major tenants and most of the tenancies will have rent reviews in 2018.

One Kingdom Street is positioned between a railway line, a major thorough road, and two bridges with high traffic volume, and is within a few minutes' walking distance from the Paddington Station



One Kingdom Street collected voting survey from its tenants on lobby renovation

in Central London. With the coming of the Crossrail System, the Paddington area will become an important hub in London's West End.

The building forms part of the Paddington Central Redevelopment Scheme. The area is currently undergoing renovation, with many new developments springing up alongside the railway and canal, reviving the surrounding districts.

Australia

72 Christie Street, St Leonards

Constructed in 1990, 72 Christie Street, St Leonards is a modern Grade A office building in which the Group has an effective interest of 34.5%, consisting of about 119,510 sqf of office accommodation over 8 floors and 220 underground secured car bays on a site of 30,289 sqf. The investment cost of the Group is approximately HK\$123 million.

St Leonards is an established office area, located approximately 2 kilometres from North Sydney CBD, and approximately 7 kilometres from Sydney CBD. The property is in close proximity to the Pacific Highway and the St Leonards Railway Station/Forum Retail Complex, which provides excellent access to all major transport links and retail amenity.



72 Christie Street, St Leonards

The building became vacant in July 2017. The premises and part of the common areas are undergoing infrastructure work. To date, a binding lease to occupy 65% leaseable area of the building has been entered into with a reputable tenant on a ten years term (with an option to break after eighth year) commencing 1 May 2018 at market rent.

Development Properties

As at 31 December 2017, the Group's development project includes a 50% interests in the Nine Elms Square Project in London, United Kingdom.



Virtual Perspective of Nine Elms Square

Nine Elms Square

Nine Elms Square is located at central London, on the south bank of the Thames River. It is a regeneration area and forms part of the wider site of the New Covent Garden Market. This project which acquired at a consideration of GBP520 million will be developed in two phases. The first phase development is expected to commence in the third quarter of 2018 and tentatively be completed in 2021. When fully developed, it will provide about 1,900 residential units with a total saleable area of circa 1.7 million sqf, with many of the units commanding a beautiful river view.

The site is located close to the new United States Embassy, and includes the New Covent Garden Market – the largest fresh produce market in the United Kingdom. It has attractive surrounding amenities and easy access transport facility. It also includes almost 3 kilometres of Thames river frontage, which is lined with restaurants facilities, cultural attractions, public spaces and with a new linear green park running right through the area from east to west.

The transport improvement for this area includes two new Northern Line stations (Nine Elms and Battersea Stations) directly linking to the West End, City and North London. The new stations are due to be operational in 2020.

Management Discussion and Analysis

Commercial Development Project

In December 2017, the Group entered into a partnership agreement to acquire a commercial development project in London, United Kingdom. The Group has a 35% interests in this project. The acquisition is expected to be completed in the first half of 2018. The project will provide approximately 1.1 million sqf of office and retail spaces.

Treasury Investment Business

The treasury investment segment recorded a loss of HK\$43.5 million (2016: a loss of HK\$172.1 million). The dividends and interests earned from investments and loans receivable amounted to HK\$119.4 million (2016: HK\$233.5 million). The realized losses and unrealized losses on equity investments at fair value through profit or loss amounted to HK\$17.5 million and HK\$4.2 million respectively (2016: realized gains HK\$14.3 million and unrealized loss of HK\$195.3 million respectively). Impairment loss on available-for-sale investment has been substantially reduced by HK\$73.5 million to HK\$78.9 million.

CORPORATE STRATEGY AND OUTLOOK

The Group intends to continue growing its business by seeking new opportunities with its expertise and experience to achieve attractive returns. This may be done on its own or by leveraging local expertise from going into joint venture with other developers.

With about HK\$4.7 billion available cash as at 31 December 2017 on its balance sheet, the Group is actively looking to increase and/or develop its land bank. The emerging trend of global economic growth is in line with its strategic moves to explore overseas investment opportunities, acquire land for development, and invest in property development projects, including China and Hong Kong.

Whilst the Group remains focused on deriving long-term value from its two unique central London properties, it aims to create and grow value through a combination of asset management, strategic investment and selective development. The Group will continue to provide a high standard of property management services to its tenants. There is potentially much upside in the rental income when the tenancies of these two buildings are up for rent review.

FINANCIAL REVIEW

Investments

The objectives of the Group's investment policy are to minimize risk while retaining liquidity, and to achieve a competitive rate of return.

The Group invested surplus cash in a diversified portfolio of listed equity securities, unlisted investment funds and debt instruments. As at 31 December 2017, the portfolio of investments comprised of listed equity securities, unlisted investment funds and debt instruments with an aggregate carrying value of HK\$2,998.3 million (31 December 2016: HK\$3,545.0 million) which is listed in the table below:

	31 December 2017 HK\$' million	31 December 2016 HK\$' million
Equity investments at fair value through profit or loss		
Listed equity securities	310.9	581.3
Available-for-sale investments		
Listed equity securities	756.4	433.4
Debt instrument/Perpetual security	201.8	930.0
Unlisted investment funds	1,729.2	1,600.3
Sub-total	2,687.4	2,963.7
Total	2,998.3	3,545.0

The carrying principal amount of the perpetual security of US\$120 million was fully redeemed by the China Evergrande Group, a leading PRC property developer listed on the main board of the Stock Exchange in January 2017.

In 2017, the Group recognized from its portfolio of investments during the year unrealized fair value losses of HK\$83.1 million (2016: HK\$347.7 million) in the consolidated statement of profit or loss and unrealized fair value gains of HK\$634.6 million (2016: unrealized fair value losses of HK\$406.3 million) in the consolidated statement of other comprehensive income. The realized losses on the portfolio of investments for the year was HK\$4.2 million (2016: HK\$33.9 million), whereas the amount of dividends and interest income from investments and loans receivable was HK\$119.4 million (2016: HK\$233.5 million). In terms of future prospects of the Group's investments, the performance of the listed equity securities and unlisted investment funds held is to a large extent subject to the performances of the relevant financial markets which are liable to change rapidly and unpredictably.

The Group will continuously adopt a prudent investment strategy and assess the performance of its portfolio of investments to make timely and appropriate adjustments to fine-tune its investments holding with a view to generating favorable returns for its shareholders.

Liquidity and Financial Resources

The Group centrally monitors its liquidity requirements from a short to five-year term basis and arranges its bank and other borrowings accordingly. Conservative financial management has been applied through the use of long term debt financing. The aim is to maintain a strong liquidity position with sufficient financial resources to satisfy not only short term working capital requirements, but also its needs on business plan for further acquisition, expansion and investment.

At 31 December 2017, the Group had bank borrowings amounting to HK\$13,635.1 million and the maturity profile was spread over a period of 5 years, with HK\$7,164.6 million repayable within one year, of this, HK\$1,841.8 million was renewed to a 5-year term, and HK\$6,470.5 million is repayable beyond three years.

The Group's net gearing ratio as at 31 December 2017 was approximately 21.8% (31 December 2016: Nil) as calculated by total borrowings less cash and bank balances and time deposit divided by total equity.

As at 31 December 2017, cash and bank balances and time deposit totalled HK\$10.0 billion as compared to HK\$7.5 billion as at 31 December 2016. About 75% of the Group's bank deposits and cash were denominated in Hong Kong dollars, 14% in USD, 2% in RMB, and 9% in GBP.

The Group continues to maintain a high level of liquidity. Total assets as at the end of December 2017 were HK\$32.2 billion, of which approximately 33% was current in nature. Net current assets were HK\$1.7 billion and accounted for approximately 10% of the net assets of the Group.

As at 31 December 2017, the owners' equity was HK\$16.8 billion (2016: HK\$13.3 billion) and the net assets value per share was HK\$4.34 (2016: HK\$5.13).

Contingent Liabilities/Financial Guarantees

At 31 December 2017, the Group had guarantee given to the vendor in connection with the acquisition of a freehold land by a joint venture amounted to HK\$262.8 million.

At 31 December 2016, the Group had guarantees given to (i) banks in respect of mortgage facilities granted to certain purchasers of the Group's property units in the amount of HK\$83.3 million; and (ii) a bank in connection with a facility granted to joint ventures in the amount of HK\$256.3 million.

Financing Activities

The Group had the following major financing activities during the year under review:

1. The Group completed the Rights Issue on 28 April 2017 for one rights share for every two shares of the Company then held at a price of HK\$2 per rights share, raising a net proceeds of about HK\$2.58 billion.
2. The Group established a new five-year term facility amounting to GBP622.2 million with a syndicate of financial institutions for refinancing part of the acquisition cost of The Leadenhall Building. The term facility is secured by a charge over The Leadenhall Building and bears a favorable interest rate. The Group has entered into interest rate swaps over the loan tenor to effectively hedged 80% of the loan principal to exchange the variable LIBOR for a fixed rate in the region of 0.72%. The Group is therefore well protected from the risk in the upward trend of the global interest rate in the coming years.

Management Discussion and Analysis

Pledge of Assets

As at 31 December 2017, investment properties, bank deposits and property and equipment in the respective amount of HK\$12.1 billion, HK\$5.1 billion and HK\$82.0 million have been pledged as security for banking facilities granted to the Group.

Exchange Risks and Hedging

We hedge our net foreign investments with bank borrowings and a forward currency exchange contract to offset against any unexpected and unfavorable currency movements, which may result in a loss on translation of the net foreign investment into Hong Kong dollars and such hedged sum amounted to approximately GBP0.9 billion as at 31 December 2017.

As at 31 December 2017, the Group has no outstanding consideration receivables from the disposal of subsidiaries and accordingly, no exposure of such consideration to fluctuations in foreign exchange rates.

EMPLOYEES

As at year end of 2017, the Group employed a total of 91 employees in Hong Kong, China and United Kingdom for its principal business. Remuneration cost for the year (excluding directors' emoluments) amounted to approximately HK\$97 million.

The Group ensures that the pay levels of its employees are competitive to the market and employees were rewarded according to their performance.

Employees are also granted share options under the Company's share option scheme at the discretion of the Board. For 2017 and 2016, no equity-settled share option expense was charged off to the consolidated statement of profit or loss. Other benefit measures to retain employees include contributions of mandatory provident funds, medical insurance, on-job training and external seminars organized by professional bodies.

The Group adopts a proactive approach on investor relations and strives to provide investors with updates and accurate information on the Group's latest development. The Group has an open-minded attitude and believes effective communication is two-ways and therefore also encourages investors to give feedback to the Group. To enable easy access to information on the Company's latest major development, measures have been taken to ensure all necessary information and appropriate updates are made available to investors in a timely manner through the Company's website, www.ccland.com.hk, under the column of "Investor Relations".

INVESTOR RELATIONS ACTIVITIES

To facilitate on-going and timely dialogues with the investment community, the Group held analyst briefings after each results announcement. The management of the Group also participated in investment forums organized by leading international investment banks.

The Group has maintained a long-term and close relationship with the investment community, keeping an updated distribution list of investors to provide them with corporate news and announcements through e-mails. The Group believes continuous communication between investors is extremely important.

ACHIEVEMENT AND AWARD

The Group is glad to receive "The Structural Steel Design Awards 2017" granted to The Leadenhall Building organized by The British Constructional Steelwork Association Ltd. in the United Kingdom. On 1 February 2018, the Group was also granted the "YN Property Awards 2018" organized by Norwood Charity in the United Kingdom.

Looking ahead, the Company will continue to maintain a strong relationship with investors in order to enhance the Company's strength and corporate governance quality, promoting the long-term development of the Company.



2017 Annual General Meeting



The Leadenhall Building received "The Structural Steel Design Awards 2017"

Environmental and Social Responsibilities Report

1. INTRODUCTION

This report is prepared in accordance with the Environmental, Social and Governance Reporting Guide set out in Appendix 27 to the Listing Rules.

This report provides information on our policies, commitments and endeavours in relation to ESR issues of our operations in Hong Kong for the year ended 31 December 2017. It focuses on our operations in Hong Kong which are carried out from our two offices situated at leased-premises located separately in two commercial buildings. As this is our first ESR report providing data on various key performance indicators (“KPI”) relating to emissions, wastes, energy and water consumption, comparison data of the results achieved after taking our green initiatives will be provided from our next reporting year.

For disclosures on our corporate governance as required under the Listing Rules, please refer to the section headed “Corporate Governance Report” on pages 18 to 24.

2. OBJECTIVE

It is our primary objective regarding our ESR to promote sustainable development that meets our business goals without compromising the needs of the environment, society and economy. This coincides with our recognition that environmental, social and economic concerns are all indispensably linked to the businesses which we operate and our long term development.

Our priority within the ESR scope is to incorporate such objective into our daily operation and to devise measures and monitoring system to enhance our sustainability performance as a part of our business development strategy. In meeting such objective, our approach to ESR management is to ensure consistency and acceptable balances between our corporate actions and the interests of the environment, society and sustainable development.

3. ENVIRONMENTAL

3.1 Emissions

3.1.1 Greenhouse Gas Emissions

We are committed to reducing air and greenhouse gas (“GHG”) emissions, discharges into water and land, generation of hazardous and non-hazardous waste in compliance with applicable laws and regulations.

Our offices do not involve any direct GHG emissions. During the reporting year, our total indirect GHG emissions were approximately 107 tonnes of carbon dioxide equivalent arising principally from our consumption of electricity, use of paper and business travel outside Hong Kong. Details of our GHG emissions are as follows:

Sources of GHG emission	GHG emission (in tonne CO ₂ -e)	GHG emission by scope (in tonne CO ₂ -e)
Direct emissions (Scope 1)	–	–
Indirect emissions (Scope 2)		54.1
– Electricity	54.1	
Other indirect emissions (Scope 3)		52.9
– Paper consumption	4.7	
– Business travel outside Hong Kong	48.2	

* GHG emission is calculated according to the Reporting Guidance on Environmental KPIs published by the Stock Exchange.

As a green initiative, we support the “Indoor Temperature Energy Saving Charter” to improve energy efficiency of our operations. Our employees are encouraged to reduce frequency of business trips by making use of alternative facilities such as telephone instead of attending face-to-face meetings as and when practicable. In September 2017, the Group joined the “Biz-Green Dress Day” as one of the events within the “Hong Kong Green Building Week”, fully funded by the Construction Industry Council. The event was aimed at reducing air-conditioning consumption by inviting participants to dress light and thus reduce the use of air-conditioning at their workplace.

3.1.2 Waste

Our offices do not involve the generation of any hazardous waste. Our major non-hazardous waste source pertains to general office waste including domestic waste and paper waste. Our domestic waste is disposed of by the relevant property management entities of the buildings in which our offices are located as part of their property management services. As a green initiative, we have set up designated collection points in the offices to collect recyclable paper waste whether generated internally or otherwise for recycling. During the reporting year, a total of 1.13 tonnes of recyclable paper waste had been collected. In addition to recyclable paper waste, other office recyclable consumables, such as used toner cartridge, light bulbs and fluorescent tubes will also be collected for proper recycling or disposal.

There are no particular environmental laws or regulations relating to GHG emissions, discharges into water and land, generation of hazardous and non-hazardous waste that are specifically applicable to our operations in Hong Kong. We are not aware of any non-compliance with other laws or regulations generally applicable to the operation of our offices during the reporting year.

3.2 Use of Resources

We strive to use our resources, particularly energy and paper which are the major resources consumed in our offices, in an efficient manner. We adhere to the principles of reducing, reusing and recycling. During the reporting year, we have consumed paper equivalent to a total of 378 reams of A4 size paper. As part of our use of resources efficiency initiatives, we encourage our employees to use electronic copies instead of printed copies of materials and to choose double-sided printing or copying options in order to reduce the use of paper wherever practicable.

During the reporting year, total electricity consumption of our offices was approximately 5.1 kWh per sqf or 30.9 kWh per working hour, representing a total electricity consumption of approximately 68,514 kWh. Total electricity consumption per employee was approximately 1,457.7 kWh. As part of our energy use efficiency initiatives, our employees are encouraged to switch off lights and electrical appliances whenever they are not in use. We also promote adoption of energy-efficient electrical appliances in our offices wherever applicable.

We use water mainly for drinking and general cleaning purposes in our offices. Data of our potable water consumption is only available for our Wanchai office as no individual meter is installed for our North Point office. Total potable water consumption of our Wanchai office during the reporting year was approximately 224 cubic metres, representing a total annual potable water consumption per employee of our Wanchai office of approximately 7.7 cubic metres. In addition to potable water, we have also provided our employees with refillable bottled distilled water for drinking. During the reporting year, our offices consumed a total of approximately 6 cubic metres of distilled water. All emptied bottles were collected by the supplier for reuse. During the reporting year, we have not encountered any issue in sourcing water that is fit for our day-to-day office use.

Our offices do not involve the use of any packaging materials for any finished products.

3.3 The Environment and Natural Resources

We are committed to minimizing the impact of our operations on the environment and natural resources. In addition to our initiatives aiming to use resources efficiently, we have adopted a policy of using environmental friendly materials where applicable. Beginning from 2016, our interim and annual reports have been printed on Forest Stewardship Council certified papers. We have also implemented a number of green initiatives to raise our staff's conservation awareness. We have introduced measures of energy savings, waste less and low carbon living style through the workplace, including displaying prominent signs in conspicuous locations to remind staff of using energy and water more efficiently or reducing the amount of services used.

We understand the inevitable impact of property development and operations on climate and local environment, and as such, we opt for environmentally friendly architectural designs and operational measures wherever practicable to improve the environmental performance of our property development and investment.

During the reporting year, a speaker from the Community Relations Unit of the Environmental Protection Department was invited to provide us with a seminar on topics relating to housekeeping measures for individuals and offices' energy savings and waste reduction; and promoting low carbon living style in various aspects of daily life including clothing, food, living and travel to raise environmental awareness among our staff.

4. SOCIAL

4.1 Employment and Labour Practices

4.1.1 Employment

We believe that our employees are vital to our continual business success and are committed to the continuous development of our employees. We are dedicated to attract, retain and deploy the most suitable talent to support our growth.

We are committed to adhering to relevant employment laws and regulations, adopting employment procedures and practices which promote fair treatment when dealing with our employees' compensation (including fringe benefits and welfare) and dismissal, recruitment and promotion, working hours and rest periods, providing equal opportunities, promoting diversity and fostering non-discrimination practices.

We have adopted remuneration policies setting out principles and guidance on remuneration of our directors and employees and a policy setting out the approach to achieve a diverse board. Further details of the remuneration policy for our directors and board diversity policy are set out in the section headed "Corporate Governance Report" on pages 18 to 24, and those of the remuneration policy for our employees are set out in the section headed "Directors' Report" on pages 25 to 30.

Our employees' compensation also includes a range of fringe benefits including medical and dental insurance coverage, paid annual leave, maternity leave and paternity leave. During festive occasions, we offer gifts to our employees for their sharing of the festive joy with their family.

We promote work life balance among our employees. We also organize various recreational activities including annual dinner and birthday parties to strengthen the bonding among our employees and promote their sense of belonging.

During the reporting year, we are not aware of any non-compliance with relevant laws and regulations, including the Employment Ordinance (Chapter 57 of the Laws of Hong Kong) and the Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong), relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare in relation to our operations.

4.1.2 Health and Safety

We strive to provide a safe working environment in our offices, free from any occupational hazards, to our employees in compliance with relevant laws and regulations relating to occupational safety and health.

We have taken steps to ensure a safe working environment in our offices such as cleaning of air-conditioning system and disinfection treatments of carpets on a regular basis. Fire safety of our offices is of paramount importance to us. Our employees are made aware of the means of escape in case of fire through participation in regular fire drills organized by the building management.

During the reporting year, we are not aware of any non-compliance with relevant laws and regulations relating to occupational safety and health that have a significant impact on the Group relating to providing a safe working environment and protecting employees from occupational hazards in our offices.

4.1.3 Development and Training

We encourage our employees to improve their knowledge and skills for discharging duties at work through external and internal training opportunities that meet the needs of our business, at the Company's expenses.

We provide our Directors with regular updates on changes to and developments of the Group's business, and on the latest developments in the laws, rules and regulations relating to directors' duties and responsibilities to help them make informed decisions and discharge their duties and responsibilities as directors of the Company. Speakers with professional background are invited to deliver presentation to our directors and management on topics relating to their duties from time to time. We also offer subsidies to our employees who attend training courses to assist them in further developing their job-related knowledge and skills. For a summary of training received by Directors, please refer to the section headed "Corporate Governance Report" on pages 18 to 24.

Environmental and Social Responsibilities Report

4.1.4 Labour Standards

We prohibit and are against the employment of child and forced labour.

During the reporting year, we are not aware of any non-compliance with relevant laws and regulations that have a significant impact on the Group relating to preventing child and forced labour.

4.2 Operating Practices

4.2.1 Supply Chain Management

We endeavour to extend our influence on our stakeholders for managing potential environmental and social risks of the supply chain and promote our ESR policies and practices among them.

We seek to work with our suppliers in pursuit of continuous improvement in social and environmental performance. We are also committed to ensuring that environmental considerations are an integral part of our project development through cooperation with our suppliers and contractors to provide high-quality properties and services to our customers.

4.2.2 Product Responsibility

We strive to adhere to applicable laws and regulations with regard to health and safety, advertising and labelling and privacy matters for products and services we offer in our business, and to maintain effective communication channels for redress.

During the reporting year, we are not aware of any material non-compliance with relevant laws and regulations that have a significant impact on the Group relating to health and safety, advertising, labelling and privacy matters relating to products and services provided.

4.2.3 Anti-corruption

We are committed to conducting our business in compliance with applicable laws and regulations against bribery, extortion, fraud and money laundering.

We have in place a code of conduct applicable to our directors and employees setting out the standards of behaviour that the Company expects from them, guidelines on how they should handle different situations in business dealings with the Group, and measures on bribery. We have also adopted a policy for employees to raise concerns about any improprieties, suspected misconduct or malpractice within the Group.

During the reporting year, we are not aware of any material non-compliance with relevant laws and regulations that have a significant impact on the Group relating to bribery, extortion, fraud and money laundering.

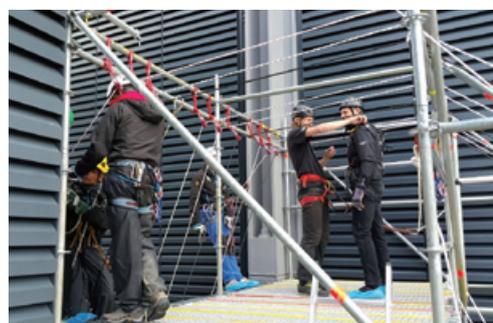
4.3 Community

4.3.1 Community Investment

We are committed to engaging in the community in which we operate so as to understand their needs and to ensure our activities taking into consideration the interests of our communities.

We make donations to various charitable organizations. During the reporting year, we had made a total of charitable contributions amounting to HK\$165,000. Our London office has actively participated in the charity activities to support the local communities. We had raised GBP190,000 for the event of “Lord Mayor Abseil” held at The Leadenhall Building in 2017.

In Hong Kong, we have also encouraged our staff to make personal donations to charities and participate in various charity events such as the Salvation Army Recycling Programme, China Resources Building – Annual Recycling Programme and Dress Casual Day of the Community Chest.



2017 Charity Activity –
“Lord Mayor Abseil”
at The Leadenhall Building

Corporate Governance Report

The Company is committed to maintaining a high standard of corporate governance. The Board considers that sound corporate management and governance practices are essential to the Company's healthy growth under all business environments.

CORPORATE GOVERNANCE PRACTICES

During the year, the Company has complied with the code provisions of the CG Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct regarding securities transactions by directors. Specific enquiries have been made on all directors who have confirmed that they have complied with the required standard set out in the Model Code throughout the year.

BOARD OF DIRECTORS

Currently, the Board is chaired by Mr. Cheung Chung Kiu. It consists of six executive directors and three independent non-executive directors. Names and other biographical details of the existing members of the Board are set out under the heading of "Directors' Profile" on pages 4 to 5. The Board determines and keeps under review the objectives of the Group. It makes decisions on overall strategies and actions necessary for achieving these objectives, monitors and controls financial and operating performance, formulates appropriate policies, and identifies and ensures best practices of corporate governance. The current structure and composition of the Board have provided it with an appropriate mix of skills, knowledge, experience and diversity. The Board reviews its structure and composition from time to time to ensure that appropriate expertise and independence are maintained.

The Company has received confirmation from each director that he has given sufficient time and attention to the affairs of the Company during the year. Directors have also disclosed to the Company the changes, if any, in the number and nature of offices they hold in public companies or organizations and other significant commitment, including the identity of the public companies or organizations and an indication of the time involved.

Set out below are details of directors' attendance of meetings in 2017:

Name of Directors	Attendance/Number of meetings held					
	Regular Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	Annual General Meeting	Special General Meeting
Executive Directors						
Cheung Chung Kiu (<i>Chairman</i>)	4/4	–	2/2	1/1	1/1	1/1
Lam How Mun Peter (<i>Deputy Chairman & Managing Director</i>)	4/4	–	2/2	1/1	1/1	1/1
Tsang Wai Choi (<i>Deputy Chairman</i>)	2/4	–	–	–	0/1	0/1
Wong Chi Keung (<i>Deputy Chairman</i>)	4/4	–	–	–	1/1	1/1
Leung Chun Cheong	4/4	–	–	–	1/1	1/1
Leung Wai Fai	4/4	–	–	–	1/1	1/1
Independent Non-executive Directors						
Lam Kin Fung Jeffrey	4/4	3/3	2/2	1/1	1/1	1/1
Leung Yu Ming Steven	4/4	3/3	2/2	1/1	1/1	1/1
Wong Lung Tak Patrick	4/4	3/3	2/2	1/1	1/1	1/1

During 2017, the independent non-executive directors have met once with the Chairman without the presence of the executive directors, to consider and discuss various matters in respect of the management and corporate governance of the Company.

The Chairman takes the primary responsibility for ensuring that good corporate governance practices and procedures are established. He sets the agenda for the Board and takes the lead in the formulation of objectives, strategies and actions at the directorate level. He ensures that members of the Board receive accurate, timely and clear information, and that matters to be taken into consideration are given their due weight, so that sound decisions can be made. With the assistance of the Company Secretary, the Chairman ensures that the Board properly exercises its powers, holds its meetings and implements procedures in compliance with all rules and requirements, and full and proper records are maintained. Procedures are also put in place for each director to have access to supporting papers and relevant information for each scheduled meeting. All directors also have access to the services of the Company Secretary and her team, and may take independent professional advice upon request, at the Company's expense.

The day-to-day management of the Group is delegated by the Board to the Managing Director who is supported by the various committees of the Board and management of the Company for recommending strategies to the Board, and determining and implementing operational decisions. The Managing Director assumes full accountability for the day-to-day management of the Group. All committees of the Board have specific terms of reference clearly defining their respective powers and responsibilities. All committees are required by their terms of reference to report to the Board in relation to their decisions or recommendations. Through participating in the Company's board meetings and committees meetings, attending general meetings, and participating in continuous professional development, all directors are able to make contribution required from them to the Board and to the development of the Company.

The Company provides directors with regular updates on changes to and developments of the Group's business, and on the latest developments in the laws, rules and regulations relating to directors' duties and responsibilities to help them make informed decisions and discharge their duties and responsibilities as directors of the Company.

During 2017, all directors have participated in continuous professional development to develop and refresh their knowledge and skills as listed company directors. They have provided the Company with their records of the training they received for the year. A summary of the records is as follows:

Name of Directors	Training Received
Cheung Chung Kiu	Attending seminar regarding updates on rules and regulations relating to listed companies and relevant industry; and reading materials regarding corporate governance, ethics and code of conduct, operation and management of listed companies, finance and relevant industry
Lam How Mun Peter	Attending seminar regarding updates on rules and regulations relating to listed companies and operation and management of listed companies
Tsang Wai Choi	Attending seminars regarding corporate governance and finance; e-learning regarding ethics and code of conduct and operation and management of listed companies; and reading materials regarding updates on rules and regulations relating to listed companies and relevant industry
Wong Chi Keung	Attending seminars regarding updates on rules and regulations relating to listed companies and relevant industry
Leung Chun Cheong	Attending seminars regarding updates on rules and regulations relating to listed companies, finance and industry; and e-learning regarding corporate governance, operation and management of listed companies, finance and relevant industry
Leung Wai Fai	Attending seminars regarding updates on rules and regulations relating to listed companies, corporate governance, ethics and code of conduct, operation and management of listed companies and finance; and e-learning regarding ethics and code of conduct, operation and management of listed companies and finance
Lam Kin Fung Jeffrey	Attending seminars regarding updates on rules and regulations relating to listed companies, corporate governance and operation and management of listed companies; e-learning regarding corporate governance and operation and management of listed companies; and reading materials regarding updates on rules and regulations relating to listed companies, corporate governance and ethics and code of conduct
Leung Yu Ming Steven	Attending seminars regarding updates on rules and regulations relating to listed companies, corporate governance, ethics and code of conduct, operation and management of listed companies, finance and relevant industry
Wong Lung Tak Patrick	Attending seminars regarding updates on rules and regulations relating to listed companies, corporate governance, ethics and code of conduct, operation and management of listed companies, finance and relevant industry

Corporate Governance Report

CHAIRMAN AND MANAGING DIRECTOR

The roles of Chairman and Managing Director are separate. The main responsibility of Chairman is to lead the Board and manage its work to ensure that it effectively operates and fully discharges its responsibilities. Supported by the members of the committees of the Board, Managing Director is responsible for the day-to-day management of the Group, recommending strategies to the Board, and determining and implementing operational decisions.

NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive directors an annual written confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Board has reviewed their independence based on such confirmation and considers all of them remaining independent. All non-executive directors are appointed for a specific term of not more than three years and are subject to retirement by rotation and re-election at the annual general meeting at least once every three years pursuant to the Bye-laws.

BOARD COMMITTEES

The Board has set up the Executive Committee which comprises all executive directors on the Board. Under its terms of reference, the Executive Committee is responsible for overseeing the management and daily operations of the Group and any other matters delegated by the Board. In addition to the Executive Committee, the Board has set up the Audit Committee, the Remuneration Committee and the Nomination Committee. The Board does not have a Corporate Governance Committee and its functions would be carried out by the Board as a whole.

AUDIT COMMITTEE

The Audit Committee currently comprises three independent non-executive directors, Mr. Lam Kin Fung Jeffrey, Mr. Leung Yu Ming Steven and Dr. Wong Lung Tak Patrick. It is chaired by Mr. Lam Kin Fung Jeffrey. The major roles and functions of the Audit Committee are set out in its terms of reference which include duties specified in the CG Code and are posted on the Company's website in the section of "Corporate Governance" under the column of "Investor Relations" and on the Stock Exchange's website.

The Audit Committee has reviewed together with the management and independent auditors the accounting policies and practices adopted by the Group and discussed auditing, internal control and financial reporting matters, including reviewing the Group's consolidated results for the year ended 31 December 2017. When reviewing the Company's interim and annual reports, the Audit Committee has focused not only on the impact of the changes in accounting policies and practices, but also on the compliance with applicable accounting standards, the Listing Rules and relevant legal requirements. It has also reviewed the financial statements before submission to the Board.

The Audit Committee has reviewed with the management, among other matters, the risk management and internal control systems covering all material controls, including financial, operational and compliance controls and risk management functions and the arrangements for employees to raise concerns in confidence about possible improprieties in financial reporting, internal control and other matters. The Audit Committee has reviewed the engagement of independent auditors and the effectiveness of the audit process.

REMUNERATION COMMITTEE

The Remuneration Committee currently comprises two executive directors, Mr. Cheung Chung Kiu and Dr. Lam How Mun Peter, and three independent non-executive directors, Mr. Lam Kin Fung Jeffrey, Mr. Leung Yu Ming Steven and Dr. Wong Lung Tak Patrick. It is chaired by Mr. Leung Yu Ming Steven. The major roles and functions of the Remuneration Committee are set out in its terms of reference which include duties specified in the CG Code and are posted on the Company's website in the section of "Corporate Governance" under the column of "Investor Relations" and on the Stock Exchange's website.

The Remuneration Policy for executive directors of the Company is determined with reference to the Group's operating results, duties and level of responsibility of the executive directors and the prevailing market conditions which are reviewed annually in order to provide remuneration and compensation packages competitive to attract, retain and motivate high quality executives to serve the Group. The fee for non-executive directors is determined with reference to each of their duties and level of responsibility with the Company and is reviewed on an annual basis. Details of the directors' remuneration for 2017 are set out in note 9 to the financial statements on pages 63 to 64.

During 2017, the Remuneration Committee has assessed the performance of the executive directors, reviewed and discussed, among other matters, the remuneration packages (including the annual performance bonus policy) of the executive directors, the remuneration of the non-executive directors, the existing share option scheme, the retirement benefit scheme and the long-term incentive arrangement. It has also reviewed the Remuneration Policy and its implementation. Being given the delegated responsibility, the Remuneration Committee has determined the remuneration packages of the executive directors of the Company.

NOMINATION COMMITTEE

The Nomination Committee currently comprises two executive directors, Mr. Cheung Chung Kiu and Dr. Lam How Mun Peter, and three independent non-executive directors, Mr. Lam Kin Fung Jeffrey, Mr. Leung Yu Ming Steven and Dr. Wong Lung Tak Patrick. It is chaired by Mr. Cheung Chung Kiu. The major roles and functions of the Nomination Committee are set out in its terms of reference which include duties specified in the CG Code and are posted on the Company's website in the section of "Corporate Governance" under the column of "Investor Relations" and on the Stock Exchange's website.

The Nomination Policy for directors is formulated with reference to the skills and experience of the Board appropriate for the requirements of the Group's business. The Nomination Committee will review the Board's structure, size and composition (including the skills, knowledge and experience) and diversity. It will assess the independence of independent non-executive directors. It will also make recommendations on any proposed changes to the Board to complement the Company's corporate strategy, and make recommendations on the appointment or re-appointment of directors and succession planning for directors, including the Chairman as appropriate. It is responsible for identifying individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships.

The Company has adopted a Board Diversity Policy setting out the approach to achieve a diverse Board. Taking into account factors including the size of the Board, its composition of executive and non-executive directors, and the Company's principal activities and needs, election of candidates shall be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

During 2017, the Nomination Committee has reviewed and discussed, among other matters, the structure, size and composition including the skills, knowledge, experience and diversity of the Board and also assessed the independence of independent non-executive directors of the Board. It has also reviewed the Nomination Policy and the Board Diversity Policy and their implementation.

CORPORATE GOVERNANCE FUNCTION

The Board does not have a Corporate Governance Committee. The functions that would be carried out by a Corporate Governance Committee are performed by the Board as a whole and are as follows:

1. to develop and review the Company's policies and practices on corporate governance;
2. to review and monitor the training and continuous professional development of directors and senior management;
3. to review and monitor the Company's policies and practices in compliance with legal and regulatory requirements;
4. to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and
5. to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

The Corporate Governance Policy is formulated with an emphasis on the Board's quality, effective internal control, stringent disclosure practices and transparency and accountability to all shareholders of the Company. The Board strives to comply with the code provisions and reviews its Corporate Governance Policy regularly in order to maintain high standards of business ethics and corporate governance, and to ensure the full compliance of our operations with applicable laws and regulations.

During 2017, members of the Board have reviewed and discussed, among other things, the Company's policies and practices on corporate governance at regular board meetings. They have also reviewed and monitored the training and continuous professional development of directors, and the Company's policies and practices on compliance with legal and regulatory requirements as well as its disclosure in the Corporate Governance Report. The Board has reviewed the code of conduct applicable to employees and directors setting out the standards of behaviour that the Company expects from them and the guidelines on how they should handle different situations in business dealings with the Group.

INDEPENDENT AUDITORS' REMUNERATION

During 2017, the remuneration paid/payable to the Company's independent auditors, Messrs. Ernst & Young amounted to a total of HK\$12,869,000, of which HK\$5,253,000 was for audit services and HK\$7,616,000 for non-audit services including agreed-upon procedures on the interim financial report, review and report on the financial information on circulars to shareholders and tax services.

COMPANY SECRETARY

The Company Secretary has undertaken not less than 15 hours of relevant professional training during 2017.

SHAREHOLDERS' RIGHTS

The following is a brief summary of certain rights of shareholders, which are subject to applicable laws and regulations, including without limitation, the Companies Act, the Listing Rules and the Bye-laws.

1. Convening special general meeting

Members of the Company may, by a written requisition, require the Directors to convene an SGM for the transaction of any business specified in such requisition. A valid requisition may be made by a member or members of the Company holding at the date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company which at that date carries voting rights at general meetings of the Company. The requisition must state the purpose(s) of the requisitioned SGM, and must be signed by the requisitionist(s). The requisition may consist of several documents in like form each signed by one or more requisitionists, which must be deposited at the Company's registered office in Bermuda at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. To ensure that it is received by the Company at the earliest opportunity, a copy of the signed requisition may also be deposited at the Company's principal place of business in Hong Kong at Rooms 3308-10, 33rd Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong, for the attention of the Board or the Company Secretary.

If the Directors fail to proceed to convene an SGM within 21 days from the date of deposit of the requisition, the requisitionist(s) (or any of them representing more than one-half of their total voting rights) may himself/themselves convene an SGM, which must be held within 3 months of the date of deposit of the requisition. The SGM must be convened by the requisitionist(s) in the same manner as nearly as possible as that in which SGM is to be convened by the Directors. The requisitionist(s) is/are entitled to be repaid any reasonable expenses he/they incur(s) as a result of the failure of Directors duly to convene an SGM. These expenses will be payable by the Company and any sum so repaid shall be retained by the Company out of any sums due or to become due from the Company by way of fees or other remuneration to such defaulting Directors in respect of their services.

2. Putting forward proposals at shareholders' meetings

Members of the Company may by a written requisition and at their expense (unless the Company otherwise resolves) require the Company to:

- (a) give to members of the Company entitled to receive notice of the next annual general meeting notice of any resolution which may properly be moved and is intended to be moved at the next annual general meeting of the Company; and/or
- (b) circulate to members of the Company entitled to receive notice of any general meeting any statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that general meeting.

A valid requisition may be made by either:

- (a) any number of members of the Company representing not less than one-twentieth of the total voting rights of all the members having at the date of the requisition the right to vote at the meeting to which the requisition relates; or
- (b) not less than 100 members of the Company.

The requisition signed by the requisitionists (or two or more copies which between them bear the signatures of all the requisitionists) must be deposited at the Company's registered office in Bermuda at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. To ensure that it is received by the Company at the earliest opportunity, a copy of the signed requisition may also be deposited at the Company's principal place of business in Hong Kong at Rooms 3308-10, 33rd Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong, for the attention of the Board or the Company Secretary and,

- (a) in the case of a requisition requiring notice of a resolution to be moved at an annual general meeting, not less than six weeks before the annual general meeting; and
- (b) in the case of any other requisition, not less than one week before the general meeting.

The requisitionists must deposit or tender with the requisition a sum which is reasonably sufficient to meet the Company's expenses in giving effect to the requisition.

3. Proposing a person for election as director

Shareholders may propose a person for election as director, the procedures for which are available on the Company's website in the section of "Corporate Governance" under the column of "Investor Relations".

4. Sending enquiries to the Board

Shareholders may send any enquiries to the Board by mail, email or telephone to the Company's Head of Investor Relations, whose contact details are as follows:

Address: Rooms 3308-10, 33rd Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong
Email: ccland@ccland.com.hk
Telephone: +852 2820 7315

INVESTOR RELATIONS

The Company has adopted a Shareholders Communication Policy. The use and effectiveness of such policy are monitored and reviewed regularly by the Board. The Company recognises the importance of shareholders' privacy and therefore will not disclose shareholders' information without their consent, unless required by law to do so. To achieve equal access to information on the Company's latest major developments, measures have been taken to ensure all necessary information and appropriate updates are made available to investors in a timely manner through the Company's website under the column of "Investor Relations". In addition to financial reports, all announcements and circulars of the Company including results announcements, notices of general meetings and associated explanatory documents released by the Company to the Stock Exchange are posted on the Company's website. Other information such as presentation materials and press releases to be issued to shareholders and potential investors of the Company will also be made available on the Company's website. Shareholders should direct their questions about their shareholdings to the Company's share registrars. For enquiry about the information of the Company, shareholders may contact our Head of Investor Relations, whose contact details are set out under the heading of "Sending enquiries to the Board" above. Shareholders are encouraged to participate in the Company's general meetings where members of the Board will be available to answer their questions.

The Company has also adopted a Disclosure of Inside Information Policy. It sets out a framework for the release and control of inside information to ensure that the Company is able to meet its legal and regulatory obligations and requirements as a listed corporation. The Board is generally responsible for ensuring that the Group complies with its disclosure obligations regarding inside information and has established a disclosure group comprising certain directors and management to assist it in determining whether any particular information is inside information and overseeing and coordinating disclosure of inside information of the Group. Inside information should be disclosed by way of an announcement in accordance with the requirements of the SFO and the Listing Rules. Before relevant information is fully disclosed to the public, the disclosure group will help the Board to ensure that such information is kept strictly confidential.

The Company's constitutional documents are made available on the Company's website in the section of "Corporate Governance" under the column of "Investor Relations" and on the Stock Exchange's website. During the year, there was no significant change in them.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board is responsible for the Group's risk management and internal control systems and for reviewing their effectiveness. The Board recognizes that the Group's risk management and internal control systems play a key role in the identification, evaluation and management of risks faced by the Group, the assurance of continued compliance with laws and regulations by the Group, and the provision of reasonable assurance on the Group against material misstatement, error, loss or fraud. The Board appreciates that the Group is exposed to risks in achieving its business objectives and strives to maintain such risks at acceptable level through the design, implementation and monitoring of effective risk management and internal control systems.

Corporate Governance Report

The risk management and internal control systems are established within the Company and its subsidiaries for facilitating effective and efficient operations, for safeguarding assets against unauthorized use, for maintaining proper accounting records, for ensuring the reliability of financial reporting and information, and for ensuring compliance with applicable laws and regulations. The establishment of risk management and internal control systems involves identifying the key functions carried out by the Group, the individual activities undertaken within those functions, the risks associated with each activity and in achieving the Group's business objectives, evaluating the potential impact and acceptable level of such risks, developing and monitoring the effectiveness of procedures to manage and to minimise the identified risks, having regard to the particular circumstances of the Group including business operations, operating environment, compliance with applicable laws and regulations and financial reporting requirements. As part of the risk management and internal control systems, functional reporting and financial reporting procedures appropriate to the business of the Company's subsidiaries are established for application within the Group. These procedures are designed to enable timely and reliable functional and financial reporting by subsidiaries of the Company, to facilitate proper handling and dissemination of inside information, and to provide reasonable assurance against material misstatement, error, loss or fraud. A formal annual review of these procedures is carried out by the Board. In addition, the Board also receives updates from the Internal Audit department on areas that specifically affect the Company.

The Company has maintained an internal audit function which forms part of the permanent establishment of the Group and is internally resourced and staffed by qualified accounting personnel with suitable experience. The internal audit function carries out analysis and independent appraisal on the adequacy and effectiveness of the Group's risk management and internal control systems. These procedures are designed to manage rather than eliminate risk and, by their nature, can only provide reasonable, but not absolute, assurance against material misstatement or loss. The Board is responsible for ensuring that recommendations made by the internal audit function are properly implemented.

The Audit Committee has kept under review the Group's risk management and internal control systems and the effectiveness of the internal audit function. Based on its review, the Audit Committee advises the Board on the effectiveness of the Group's risk management and internal control systems, including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.

The Board has also conducted an annual review of the effectiveness of the Group's risk management and internal control systems, and considered the work of the internal audit function and advice from the Audit Committee in this regard. During the year under review, the Board considers that the Group has complied with the provisions on risk management and internal controls as stipulated in the CG Code. The Board is satisfied that the Group's risk management and internal control systems including financial, operational and compliance controls as appropriate to the Group have been put in place, effective and adequate, and that no significant areas of improvement have been revealed.

DIRECTORS' RESPONSIBILITY FOR PREPARING THE FINANCIAL STATEMENTS

The Board acknowledges that it is responsible for the preparation of financial statements of the Group and for ensuring that financial statements are prepared in accordance with statutory requirements and applicable accounting standards. The Board also ensures the timely publication of financial statements of the Group. The directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditors of the Company, Messrs. Ernst & Young, about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on pages 31 to 34.

The Directors present their report and the audited financial statements of the Company and of the Group for the year ended 31 December 2017.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and provision of corporate management services. The principal activities of its subsidiaries focus on property development and investment, as well as treasury investments, details of which are set out in note 1 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2017 and the Group's financial position at that date are set out in the financial statements on pages 35 to 101.

The Directors recommend the payment of a final dividend of HK\$0.02 per ordinary share in respect of the year to the shareholders on the Company's register of members at the close of business on 30 May 2018.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements, is set out on page 102. The summary does not form part of the audited financial statements.

BUSINESS REVIEW

A fair review of the business of the Group during the year and a description of possible risks and uncertainties facing the Group are set out in the Chairman's Statement on page 6 and Management Discussion and Analysis on pages 7 to 12 respectively. No significant events affecting the Group have occurred subsequent to the reporting period. An indication of the likely future development in the Group's business is set out in the Chairman's Statement on page 6 and Management Discussion and Analysis on pages 7 to 12 respectively. An analysis of the Group's performance during the year using financial key performance indicators is set out in the Financial Highlights on page 3 and the Five-Year Financial Summary on page 102. Discussions on the Group's compliance with the relevant laws and regulations that have a significant impact on the Group are set out in Corporate Governance Report on pages 18 to 24 and Environmental and Social Responsibilities Report on pages 14 to 17 respectively. An account of the Group's environmental policies and performance, the Group's key relationships with its employees, customers and suppliers and others that have a significant impact on the Group and on which the Group's success depends are set out in the Environmental and Social Responsibilities Report on pages 14 to 17. These discussions form part of this Directors' Report.

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 31 to the financial statements.

PRE-EMPTIVE RIGHTS

There is no pre-emptive rights provision in the Companies Act or in the Bye-laws.

PERMITTED INDEMNITY

The Bye-laws provides that Directors and other officers shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices or trusts. Such provision was in force during the year. In addition, the Company has maintained appropriate directors' and officers' liability insurance in respect of relevant legal actions against the Directors and officers.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year.

Directors' Report

RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in note 45 to the financial statements and in the consolidated statement of changes in equity respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2017, the Company's reserves available for distribution to shareholders, calculated in accordance with the Companies Act, amounted to HK\$275,567,000, of which HK\$77,647,000 has been proposed as a final dividend for the year. In addition, the Company's share premium account in the amount of HK\$11,977,078,000 may be distributed in the form of fully paid bonus shares.

CHARITABLE CONTRIBUTIONS

During the year, the Group had made charitable contributions amounting to HK\$165,000.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, revenue from the Group's five largest customers accounted for 43% of the Group's revenue and revenue from the largest customer included therein amounted to 13%. Purchase from the Group's five largest suppliers accounted for 83% of the Group's purchase and purchase from the largest supplier included therein amounted to 30%.

During the year, none of the Directors, their close associates or shareholders, who to the knowledge of the Directors own more than 5% of the Company's issued share capital, had any interest in any of the Group's five largest customers and suppliers.

The Group understands that customers and suppliers are important to the sustainable and stable development of its business. The Group conducts assessment process from time to time to evaluate the performance of its contractors and implement third-party certification to ensure the performance of its suppliers. Our work relating to social and environmental with our suppliers was set out in "Environmental and Social Responsibilities Report" on pages 14 to 17.

DIRECTORS

The Directors during the year and for the period from 1 January 2018 to the date of this report were as follows:

Executive directors:

Mr. Cheung Chung Kiu (*Chairman*)
Dr. Lam How Mun Peter (*Deputy Chairman and Managing Director*)
Mr. Tsang Wai Choi (*Deputy Chairman*)
Mr. Wong Chi Keung (*Deputy Chairman*)
Mr. Leung Chun Cheong
Mr. Leung Wai Fai

Independent non-executive directors:

Mr. Lam Kin Fung Jeffrey
Mr. Leung Yu Ming Steven
Dr. Wong Lung Tak Patrick

In accordance with Bye-law 87 of the Bye-laws, Mr. Leung Wai Fai, Mr. Lam Kin Fung Jeffrey and Mr. Tsang Wai Choi will retire at the AGM. Mr. Leung Wai Fai and Mr. Lam Kin Fung Jeffrey, being eligible, will offer themselves for re-election, whereas Mr. Tsang Wai Choi has indicated to the Company that he will not offer himself for re-election at the AGM. All other Directors will continue to be in office.

The Company has received from each of the independent non-executive directors, Messrs. Lam Kin Fung Jeffrey, Leung Yu Ming Steven and Wong Lung Tak Patrick, an annual written confirmation of their independence pursuant to Rule 3.13 of the Listing Rules. The Board has reviewed their independence based on such confirmation and considers all of them remaining independent.

DIRECTORS' BIOGRAPHIES

The Company has received the following notifications from Directors relating to the change in their information:

Mr. Lam Kin Fung Jeffrey was appointed on 15 September 2017 as an Independent Non-executive Director of i-Cable Communications Limited, the shares of which are listed on the Stock Exchange.

Dr. Wong Lung Tak Patrick ceased to be an Independent Non-executive Director of Real Nutraceutical Group Limited, the shares of which are listed on the Stock Exchange, from 12 October 2017.

Updated biographical details of the Directors existing as at the date of this report are set out on pages 4 to 5.

DIRECTORS' SERVICE CONTRACTS

No Director offering for re-election at the AGM has a service contract with any company in the Group which is not terminable by such company within one year without payment of compensation (other than statutory compensation).

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No transaction, arrangement or contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party and in which a Director or an entity connected with the Director is or was materially interested in, either directly or indirectly, was subsisting during the year or at the end of the year.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year.

REMUNERATION DETAILS

Details of the Directors' remuneration and the five highest-paid individuals in the Group are set out in notes 9 and 10 to the financial statements respectively.

REMUNERATION POLICY

The remuneration policy for employees of the Group is formulated based on the merit, qualifications, performance and competence of individual employee which are reviewed regularly in order to provide competitive compensation packages at market rates sufficient to reward satisfactory performance and attract, retain and motivate employees. The Company has adopted share option scheme as a long-term incentive to eligible employees and directors to recognize and reward their contribution to the Group, details of which are set out in note 35 to the financial statements. Remuneration policy for Directors is set out in Corporate Governance Report on pages 18 to 24.

Directors' Report

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS

As at 31 December 2017, details of the interests and short positions of each of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) required to be recorded in the register kept by the Company under Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Interests in shares of the Company (long positions)

Name of directors	Interests in shares		Interests in underlying shares pursuant to share options granted by the Company ³	Aggregate interests	Approximate percentage ⁴
	Personal interests	Corporate interests			
Cheung Chung Kiu	–	2,249,284,465 ^{1&2}	–	2,249,284,465	57.94
Lam How Mun Peter	486,753	–	43,667,369	44,154,122	1.14
Tsang Wai Choi	3,394,242	–	–	3,394,242	0.09
Leung Chun Cheong	667,000	–	1,521,900	2,188,900	0.06
Leung Wai Fai	–	–	3,043,800	3,043,800	0.08

Notes:

- 1,606,215,346 of such shares were held through Thrivetrade Limited (“Thrivetrade”), a company wholly-owned by Mr. Cheung Chung Kiu (“Mr. Cheung”). Accordingly, Mr. Cheung was deemed to be interested in the same number of shares held through Thrivetrade.

350,873,560 of such shares were held through Fame Seeker Holdings Limited (“Fame Seeker”), a company wholly-owned by Mr. Cheung. Accordingly, Mr. Cheung was deemed to be interested in the same number of shares held through Fame Seeker.
- 292,195,559 of such shares were held through Regulator Holdings Limited (“Regulator”), a direct wholly-owned subsidiary of Yugang International (B.V.I.) Limited (“Yugang-BVI”), which is in turn a direct wholly-owned subsidiary of Yugang International Limited (“Yugang”). Yugang was owned by Chongqing Industrial Limited (“CIL”), Timmex Investment Limited (“Timmex”) and Mr. Cheung as to approximately 44.06% in aggregate. CIL was owned as to 35%, 30%, 5% and 30% by Mr. Cheung, Peking Palace Limited (“Peking Palace”), Miraculous Services Limited (“Miraculous Services”) and Prize Winner Limited (“Prize Winner”) respectively. Mr. Cheung had 100% beneficial interest in Timmex. Prize Winner was beneficially owned by Mr. Cheung and his associates. Peking Palace and Miraculous Services were held by Palin Holdings Limited (“Palin”) as the trustee for Palin Discretionary Trust, a family discretionary trust, the objects of which included Mr. Cheung and his family. Accordingly, Mr. Cheung was also deemed to be interested in the same number of shares held through Regulator.
- Details of the directors' interests in the underlying shares of the Company pursuant to share options granted by the Company are set out in the section headed “Share Options” below.
- Approximate percentage refers to the aggregate interests of a director in the shares of the Company expressed as a percentage (rounded to two decimal places) of the issued share capital of the Company as at 31 December 2017.

Save as disclosed above, as at 31 December 2017, the Company had not been notified of any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) required to be recorded in the register kept by the Company under Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the sections headed “Directors' and Chief Executive's Interests and Short Positions” above and “Share Options” below, and in the share option scheme disclosures set out in note 35 to the financial statements, at no time during the year was the Company, or any of its subsidiaries, a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors, or any of their associates, had any rights to subscribe for shares of the Company, or had exercised any such rights during the year.

SHARE OPTIONS

The Company adopted a share option scheme on 29 April 2005 (“2005 Scheme”), which expired on 29 April 2015. Details of the 2005 Scheme were disclosed in the Company’s circular dated 13 April 2005 and are set out in note 35 to the financial statements. Movements of the 2005 Scheme during the year were set out below:

Name or category of participants	Number of share options						Date of grant ² (dd-mm-yyyy)	Exercise period (dd-mm-yyyy)	Exercise price ¹ HK\$ per share	Closing price immediately before date of grant HK\$ per share	
	At 1 January 2017	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	Adjusted during the year ¹					At 31 December 2017
Directors											
Lam How Mun Peter	17,500,000	-	-	-	-	255,500	17,755,500	07-05-2009	07-05-2009 to 06-05-2019	3.2229	3.47
	21,539,000	-	-	-	-	314,469	21,853,469	03-09-2010	03-09-2010 to 02-09-2020	3.2624	3.19
	4,000,000	-	-	-	-	58,400	4,058,400	03-09-2010	01-01-2011 to 02-09-2020	3.2624	3.19
	43,039,000	-	-	-	-	628,369	43,667,369				
Leung Chun Cheong	1,500,000	-	-	-	-	21,900	1,521,900	03-09-2010	03-09-2010 to 02-09-2020	3.2624	3.19
Leung Wai Fai	3,000,000	-	-	-	-	43,800	3,043,800	03-09-2010	03-09-2010 to 02-09-2020	3.2624	3.19
	47,539,000	-	-	-	-	694,069	48,233,069				
Employees	10,100,000	-	-	-	-	147,460	10,247,460	03-09-2010	03-09-2010 to 02-09-2020	3.2624	3.19
	800,000	-	-	-	-	11,680	811,680	03-09-2010	01-01-2011 to 02-09-2020	3.2624	3.19
	10,900,000	-	-	-	-	159,140	11,059,140				
Others	4,800,000	-	-	-	-	70,080	4,870,080	03-09-2010	03-09-2010 to 02-09-2020	3.2624	3.19
Total	63,239,000	-	-	-	-	923,289	64,162,289				

Notes:

- Adjustments have been made to the number of outstanding share options and their exercise prices immediately upon the completion of the rights issue on 28 April 2017.
- Certain share options granted are subject to a vesting period beginning from the date of grant until the commencement of the exercise period.
- The number and the exercise price of the share options are subject to adjustment in case of any rights issues or bonus issues, or any other changes in the Company’s share capital.

On 21 May 2015, the Company adopted a share option scheme (“2015 Scheme”), details of which were disclosed in the Company’s circular dated 16 April 2015 and are set out in note 35 to the financial statements. No share options have been granted under 2015 Scheme since its adoption and up to 31 December 2017.

DISCLOSEABLE INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS UNDER THE SFO

As at 31 December 2017, details of the interests and short positions of every person, other than directors or the chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of shareholders	Capacity in which interests are held	Number of shares held	Approximate percentage ³
Thrivetrade	Beneficial owner	1,606,215,346 ¹	41.37
Fame Seeker	Beneficial owner	350,873,560 ¹	9.04
Regulator	Beneficial owner	292,195,559 ²	7.53
Yugang-BVI	Interest of controlled corporation	292,195,559 ²	7.53
Yugang	Interest of controlled corporation	292,195,559 ²	7.53
CIL	Interest of controlled corporation	292,195,559 ²	7.53
Palin	Interest of controlled corporation	292,195,559 ²	7.53

Notes:

- These shares were included in the interests of Mr. Cheung in the shares of the Company as disclosed under the paragraph “Interests in shares of the Company (long positions)” of the section headed “Directors’ and Chief Executive’s Interests and Short Positions” above.

Directors' Report

2. The interests held by Regulator, Yugang-BVI, Yugang, CIL and Palin respectively as shown above refer to interests in the same block of shares. The said shares were also included in the interests of Mr. Cheung in the shares of the Company as disclosed under the paragraph "Interests in shares of the Company (long positions)" of the section headed "Directors' and Chief Executive's Interests and Short Positions" above.
3. Approximate percentage refers to the aggregate interest which the shareholder held or had short positions in the shares of the Company expressed as a percentage (rounded to two decimal places) of the issued share capital of the Company as at 31 December 2017.
4. All of the interests disclosed above represent long positions.

Save as disclosed above, as at 31 December 2017, the Company had not been notified of any interests or short positions of any other person, other than directors or the chief executive of the Company, in the shares or underlying shares of the Company required to be recorded in the register kept by the Company under Section 336 of the SFO.

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the year, the following directors held interests in business which competed or was likely to compete, either directly or indirectly, with the businesses of the Group.

Mr. Cheung was an executive director of Y. T. Realty Group Limited ("Y.T. Realty") (the shares of which are listed on the Main Board of the Stock Exchange) and was deemed to be interested in 34.14% of the shareholding in Y.T. Realty. Y.T. Realty is an investment holding company and the principal activities of its subsidiaries include property investment and property trading. Mr. Cheung also had personal interests in private companies engaged in property investment and property management services businesses. As such, Mr. Cheung is regarded as being interested in a business which may compete with the business of the Group. In addition, Mr. Tsang Wai Choi, an executive director of the Company, had personal interests in private companies engaged in property development and investment and related businesses. He is also regarded as being interested in a business which may compete with the business of the Group.

The Directors are aware of their fiduciary duties to the Company and that they must, in the performance of their duties as directors, avoid actual and potential conflicts of interest and duty, and not to profit themselves to the detriment of the Company. Further, there are provisions in the Bye-laws prohibiting a Director from voting, or being counted in the quorum, on any resolution of the Board approving any contract or arrangement or any other proposal in which the Director or any of his/her associate(s) is materially interested in except for certain permitted matters. The Directors are therefore of the view that the Company is capable of carrying on the Group's business independently of, and at arm's length from, such business in which Mr. Cheung or Mr. Tsang is regarded as being interested and which may compete with the business of the Group.

RELATED PARTY TRANSACTIONS

During the year, the Group entered into certain transactions with parties regarded as "related parties" under the applicable accounting principles. Details of these transactions are set out in note 41 to financial statements.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float throughout the year and up to the date of this report as required under the Listing Rules.

INDEPENDENT AUDITORS

Ernst & Young will retire and a resolution for their re-appointment as independent auditors of the Company will be proposed at the AGM.

On behalf of the Board

Cheung Chung Kiu
Chairman

Hong Kong, 23 March 2018



To the shareholders of C C Land Holdings Limited
(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of C C Land Holdings Limited (the “Company”) and its subsidiaries (the “Group”) set out on pages 35 to 101, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSA”) issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor’s responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA’s *Code of Ethics for Professional Accountants* (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor’s responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Independent Auditor's Report

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
<i>Accounting for business combinations</i>	
<p>During the year ended 31 December 2017, the Group has completed two significant business acquisitions, through the acquisitions of (i) a 100% equity interest in KS Leasehold S.à r.l., and 100% issued units in Paddington Central III Unit Trust and (ii) 100% equity interests in Leadenhall Holding Co (Jersey) Ltd and its subsidiary (collectively the "Acquisitions") for a total consideration of HK\$14,203 million.</p> <p>Management of the Company accounted for the Acquisitions as business combinations using the acquisition method under HKFRS 3 (Revised) <i>Business Combinations</i> and has exercised significant judgement in establishing the initial estimates of the fair values of the identifiable assets and liabilities acquired together with the gains on bargain purchases arising from the Acquisitions in preparing their purchase price allocations and in particular, the Group engaged external valuers to assist in the valuation of investment properties acquired.</p> <p>The related significant accounting judgements and estimates for investment properties and the disclosure for business combinations are included in notes 3 and 33 to the consolidated financial statements, respectively.</p>	<p>Our audit procedures to assess the accounting for business combinations included the following:</p> <ul style="list-style-type: none"> • read the sales and purchase agreements and assessed whether the correct accounting treatment has been applied, including the timing at which control has been passed; • evaluated the valuation of the assets and liabilities of the companies acquired, and in particular, we involved our internal valuation specialists to assist us in assessing the valuation methodologies applied and the key assumptions and estimates adopted in the valuation of investment properties acquired; • obtained and reviewed the valuation reports prepared by the external valuers and compared property-related data used as inputs for the valuations with underlying documentation, such as lease agreements; • assessed the external valuers' qualifications, experience and expertise and considered their objectivity and independence; and • assessed the adequacy of disclosures in these business combinations in the consolidated financial statements.
<i>Valuation of investment properties</i>	
<p>As at 31 December 2017, the Group's investment properties amounted to HK\$15,229 million which were measured at fair value. The fair values of the investment properties were determined based on valuation by professional external valuers.</p> <p>Significant estimation is required to determine the fair values of investment properties, which reflect market conditions at the end of the reporting period. Management engaged external valuers to perform valuations on these investment properties at the end of the reporting period and in the absence of current prices in an active market for similar properties, the external valuers considered information from a variety of sources such as estimated rental value of the relevant properties and made assumptions about capitalisation rates.</p> <p>The accounting estimates and disclosures for valuation of investment properties are included in notes 3 and 15 to the consolidated financial statements, respectively.</p>	<p>Our audit procedures to assess the valuations of investment properties included the following:</p> <ul style="list-style-type: none"> • obtained and reviewed the valuation reports prepared by the external valuers engaged by the Group; • assessed the external valuers' qualifications, experience and expertise and considered their objectivity and independence; • involved our internal valuation specialists to assist us to assess the valuation methodologies applied and the key assumptions and estimates adopted in the valuations; • compared property-related data used as inputs for the valuations with underlying documentation, such as lease agreements; and • assessed the adequacy of the disclosures on the valuation of the investment properties in the consolidated financial statements.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

Independent Auditor's Report

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Wong Cheuk Keung.

Ernst & Young
Certified Public Accountants
Hong Kong

23 March 2018

Consolidated Statement of Profit or Loss

Year ended 31 December 2017

	Notes	2017 HK\$'000	2016 HK\$'000
REVENUE	5	464,561	1,129,416
Cost of sales		(18,105)	(733,438)
Gross profit		446,456	395,978
Other income and gains	5	445,557	143,038
Selling and distribution expenses		(713)	(20,007)
Administrative expenses		(333,166)	(201,955)
Other expenses	6	(102,833)	(602,494)
Finance costs	7	(152,986)	(10,641)
Share of profits and losses of:			
Joint ventures		1,652	(33,078)
Associates		(474)	39,270
PROFIT/(LOSS) BEFORE TAX	8	303,493	(289,889)
Income tax expense	11	(11,617)	(66,867)
PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT		291,876	(356,756)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	13		(Restated)
Basic and diluted		HK8.42 cents	(HK13.74 cents)

Consolidated Statement of Comprehensive Income

Year ended 31 December 2017

	Notes	2017 HK\$'000	2016 HK\$'000
PROFIT/(LOSS) FOR THE YEAR		291,876	(356,756)
OTHER COMPREHENSIVE INCOME			
<i>Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:</i>			
Available-for-sale investments:			
Changes in fair value	18	555,647	(558,672)
Deferred tax		(16,836)	–
Reclassification adjustment for losses/(gains) included in the consolidated statement of profit or loss			
– losses/(gains) on disposal, net	18	(13,248)	48,142
– impairment loss	18	78,949	152,420
		604,512	(358,110)
Exchange differences:			
Release upon disposal of subsidiaries	34	1,748	54,511
Exchange differences on translation of foreign operations		674,936	(50,443)
Hedges of net investments in foreign operations			
– effective portion of changes in fair value of hedging instruments during the year		(578,515)	–
		98,169	4,068
Release of other comprehensive income of an associate upon disposal of subsidiaries	34	–	(2,166)
Share of other comprehensive loss of joint ventures		(1,787)	(2,298)
Share of other comprehensive income/(loss) of associates		2,525	(4,800)
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods		703,419	(363,306)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX		703,419	(363,306)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT		995,295	(720,062)

Consolidated Statement of Financial Position

31 December 2017

	Notes	2017 HK\$'000	2016 HK\$'000
NON-CURRENT ASSETS			
Property and equipment	14	99,815	103,837
Investment properties	15	15,228,933	–
Golf club membership		10,540	10,540
Investments in joint ventures	16	3,358,046	319,907
Investments in associates	17	227,116	142,666
Available-for-sale investments	18	2,687,399	2,963,697
Derivative financial instruments	28	44,739	–
Total non-current assets		21,656,588	3,540,647
CURRENT ASSETS			
Properties under development	19.1	–	246,595
Completed properties held for sale	19.2	–	306,947
Trade receivables	20	5,308	–
Loans and interest receivables	21	130,452	237,522
Prepayments, deposits and other receivables	22	91,274	1,982,375
Equity investments at fair value through profit or loss	23	310,874	581,295
Prepaid income tax and land appreciation tax		2,715	22,328
Deposits with brokerage companies	24	12,790	168,989
Pledged deposits	25	5,072,750	–
Restricted bank balances	25	168,302	38,926
Cash and cash equivalents	25	4,719,984	7,510,847
Total current assets		10,514,449	11,095,824
CURRENT LIABILITIES			
Trade payables	26	–	116,352
Other payables and accruals	27	733,627	222,704
Derivative financial instrument	28	86,915	–
Interest-bearing bank and other borrowings	29	7,164,578	112,208
Tax payable		852,497	892,523
Total current liabilities		8,837,617	1,343,787
NET CURRENT ASSETS		1,676,832	9,752,037
TOTAL ASSETS LESS CURRENT LIABILITIES		23,333,420	13,292,684
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	29	6,470,533	–
Deferred tax liabilities	30	17,138	23,896
Total non-current liabilities		6,487,671	23,896
Net assets		16,845,749	13,268,788
EQUITY			
Issued capital	31	388,233	258,822
Reserves	32	16,457,516	13,009,966
Total equity		16,845,749	13,268,788

Cheung Chung Kiu
Director

Lam How Mun Peter
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2017

	Attributable to equity owners of the Company								
	Notes	Issued capital HK\$'000	Share premium account HK\$'000	Exchange fluctuation reserve*** HK\$'000	Available-for-sale investment revaluation reserve HK\$'000	Capital reserve** HK\$'000	Retained profits HK\$'000	Share option reserve HK\$'000	Total equity HK\$'000
At 1 January 2016		258,822	9,524,823*	2,426*	352,272*	2,166*	3,825,421*	165,272*	14,131,202
Loss for the year		-	-	-	-	-	(356,756)	-	(356,756)
Other comprehensive income for the year:									
Available-for-sale investments:									
Changes in fair value		-	-	-	(558,672)	-	-	-	(558,672)
Reclassification adjustment for losses included in the consolidated statement of profit or loss									
- Losses on disposal, net		-	-	-	48,142	-	-	-	48,142
- Impairment loss		-	-	-	152,420	-	-	-	152,420
Share of other comprehensive loss of joint ventures		-	-	(2,298)	-	-	-	-	(2,298)
Share of other comprehensive loss of associates		-	-	(4,800)	-	-	-	-	(4,800)
Exchange differences:									
Release upon disposal of subsidiaries	34	-	-	54,511	-	(2,166)	-	-	52,345
Exchange differences on translation of foreign operations		-	-	(50,443)	-	-	-	-	(50,443)
Total comprehensive loss for the year		-	-	(3,030)	(358,110)	(2,166)	(356,756)	-	(720,062)
Final 2015 dividend approved		-	-	-	-	-	(142,352)	-	(142,352)
At 31 December 2016 and 1 January 2017		258,822	9,524,823*	(604)*	(5,838)*	-*	3,326,313*	165,272*	13,268,788
Profit for the year		-	-	-	-	-	291,876	-	291,876
Other comprehensive income for the year:									
Available-for-sale investments:									
Changes in fair value, net of tax		-	-	-	538,811	-	-	-	538,811
Reclassification adjustment for losses/(gains) included in the consolidated statement of profit or loss									
- Gains on disposal, net		-	-	-	(13,248)	-	-	-	(13,248)
- Impairment loss		-	-	-	78,949	-	-	-	78,949
Share of other comprehensive loss of joint ventures		-	-	(1,787)	-	-	-	-	(1,787)
Share of other comprehensive income of associates		-	-	2,525	-	-	-	-	2,525
Exchange differences:									
Release of reserves upon disposal of a subsidiary	34	-	-	1,748	-	-	-	-	1,748
Exchange differences on translation of foreign operations		-	-	674,936	-	-	-	-	674,936
Hedge of net investments in foreign operations – effective portion of changes in fair value of hedging instruments during the year	44	-	-	(578,515)	-	-	-	-	(578,515)
Total comprehensive income for the year		-	-	98,907	604,512	-	291,876	-	995,295
Rights issue	31	129,411	2,458,812	-	-	-	-	-	2,588,223
Share issue expenses	31	-	(6,557)	-	-	-	-	-	(6,557)
At 31 December 2017		388,233	11,977,078*	98,303*	598,674*	-*	3,618,189*	165,272*	16,845,749

* These reserve accounts comprise the consolidated reserves of HK\$16,457,516,000 (2016: HK\$13,009,966,000) in the consolidated statement of financial position.

** The capital reserve represented the Group's share of capital reserve of its associate arising from its capital injection.

*** The exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations as well as the effective portion of any foreign exchange differences arising from hedges of the net investment in these foreign operations.

Consolidated Statement of Cash Flows

Year ended 31 December 2017

	Notes	2017 HK\$'000	2016 HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		303,493	(289,889)
Adjustments for:			
Write-down of completed properties held for sale to net realisable value	8	–	3,305
Write-down of properties under development to net realisable value	8	–	1,910
Depreciation	8	4,167	3,938
Impairment of an available-for-sale investment	6	78,949	152,420
Finance costs	7	152,986	10,641
Share of profits and losses of joint ventures	4	(1,652)	33,078
Share of profits and losses of associates	4	474	(39,270)
Bank interest income	5	(17,309)	(29,967)
Other interest income	5	(32,624)	(54,927)
Fair value losses on equity investments at fair value through profit or loss, net	6	4,159	195,271
Fair value gains on derivative financial instruments	5	(44,928)	–
Fair value gains on investment properties, net	5	(33,245)	–
Losses/(gains) on disposal of available-for-sale investments	5,6	(13,248)	48,142
Gain on disposal of items of property and equipment	5	(176)	(186)
Compensation to acquirers of subsidiaries disposed of in prior years	6	15,849	95,377
Loss/(gain) on disposal of subsidiaries, net	5,6	3,876	(57,566)
Gain on disposal of a joint venture	5	(84,720)	–
Gains on bargain purchase on acquisition of subsidiaries	5	(101,572)	–
Lease incentives	15	(35,518)	–
		198,961	72,277
Increase in properties under development		(7,185)	(305,147)
Increase in trade receivables		(4,229)	–
Decrease in completed properties held for sale	19.2	15,356	728,223
Decrease/(increase) in loans and interest receivables		107,070	(237,522)
Decrease/(increase) in prepayments, deposits and other receivables		(22,549)	15,846
Decrease/(increase) in equity investments at fair value through profit or loss		266,262	(20,110)
Decrease/(increase) in deposits with brokerage companies		156,199	(165,073)
Increase in restricted bank balances		(177,575)	(89,284)
Increase/(decrease) in trade and other payables and accruals		190,370	(113,271)
Cash generated from/(used in) operations		722,680	(114,061)
Tax paid, net		(53,749)	(192,134)
Interest paid		(144,892)	(16,372)
Net cash flows from/(used in) operating activities		524,039	(322,567)

Consolidated Statement of Cash Flows

Year ended 31 December 2017

	Notes	2017 HK\$'000	2016 HK\$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of subsidiaries	33	(14,189,540)	–
Investments in joint ventures, net		(2,568,477)	–
Loans to a joint venture		(123,494)	(229,291)
Investment in an associate		(132,029)	–
Decrease/(increase) in balances with associates		(747)	20,553
Distribution received from an associate		50,808	53,259
Decrease/(increase) in pledged deposits		(5,072,750)	300,073
Additions to an investment property	15	(1,145)	–
Purchases of items of property and equipment	14	(1,572)	(87,720)
Purchases of available-for-sale investments		(658,968)	(1,204,585)
Interest received from bank deposits		17,309	29,967
Compensation to acquirers of subsidiaries disposed of in prior years	6	(15,849)	(95,377)
Proceeds from disposal of items of property and equipment		233	188
Proceeds from disposal of subsidiaries		2,101,827	5,962,599
Proceeds from disposal of a joint venture		296,150	–
Proceeds from disposal of available-for-sale investments		1,560,205	1,171,388
Net cash flows from/(used in) investing activities		(18,738,039)	5,921,054
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		–	(142,352)
Net proceeds from issue of right shares	31	2,581,666	–
New bank and other borrowings		15,272,838	112,208
Repayment of bank and other borrowings		(2,448,635)	(800,000)
Net cash flows from/(used in) financing activities		15,405,869	(830,144)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
		(2,808,131)	4,768,343
Cash and cash equivalents at beginning of year		7,510,847	2,774,285
Effect of foreign exchange rate changes, net		17,268	(31,781)
CASH AND CASH EQUIVALENTS AT END OF YEAR		4,719,984	7,510,847
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		4,219,984	7,011,812
Non-pledged time deposits with original maturity of less than three months when acquired	25	500,000	499,035
Cash and cash equivalents as stated in the consolidated statement of cash flows		4,719,984	7,510,847

1. CORPORATE AND GROUP INFORMATION

C C Land Holdings Limited (the “Company”) is incorporated in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda (as amended). The address of the principal place of business of the Company is Rooms 3308-10, 33/F., China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.

During the year, the Company and its subsidiaries (collectively referred to as the “Group”) were involved in the following principal activities:

- (i) property development and investment; and
- (ii) treasury investment.

Information about subsidiaries

Particulars of the Company’s principal subsidiaries as at 31 December 2017 are as follows:

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company	Principal activities
C C Land Finance Limited	Hong Kong	Ordinary HK\$2	100	Treasury investment
C C Land Management Limited	Hong Kong	Ordinary HK\$1	100	Corporate management
C C Land Portfolio Inc.#	British Virgin Islands (“BVI”)	Ordinary US\$1	100	Treasury investment
Cheer Profit Investments Limited#	BVI	Ordinary US\$1	100	Investment holding
Classical Noble Limited#	BVI	Ordinary US\$1	100	Investment holding
Ever Channel Investments Limited#	BVI	Ordinary US\$1	100	Investment holding
Everwin Global Holdings Limited#	BVI	Ordinary US\$1	100	Investment holding
Fortune Point Holdings Limited	BVI/United Kingdom	Ordinary US\$1	100	Property investment
Fortune Sail International Limited###	BVI/United Kingdom	Ordinary US\$1	100	Property investment
Global Palace Investments Limited	BVI/Hong Kong	Ordinary US\$1,000	100	Property holding
Green Charm Investments Limited####	BVI	Ordinary US\$1	100	Investment holding
Honour Sky Holdings Limited#	BVI	Ordinary US\$1	100	Investment holding
Hugo Delight Limited	Hong Kong	Ordinary HK\$10,000	100	Property holding
Join Wise Enterprises Limited	Hong Kong	Ordinary HK\$1	100	Treasury management
Jubilee Summer Limited#	BVI	Ordinary US\$1	100	Investment holding
KS Leasehold S.à r.l. (“KS Leasehold”)	Luxembourg/United Kingdom	Ordinary GBP5,000,000	100	Property investment
Leadenhall Holding Co (Jersey) Ltd (“Leadenhall Holding”)###	Jersey	Ordinary GBP428	100	Investment holding
Leadenhall Property Co (Jersey) Ltd (“Leadenhall Property”)###	Jersey	Ordinary GBP400	100	Property investment
Marvel Leader Investments Limited#	BVI	Ordinary US\$50,000	100	Investment holding
Massive Vast Group Limited#	BVI	Ordinary US\$1	100	Investment holding
Mega Star International Investment Limited#	Hong Kong	Ordinary HK\$1	100	Investment holding
Mighty Gain Enterprises Limited#	BVI	Ordinary US\$1	100	Investment holding

Notes to Financial Statements

31 December 2017

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries *(continued)*

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company	Principal activities
Novel Sky International Limited [#]	BVI	Ordinary US\$1	100	Investment holding
Paddington Central III Unit Trust ("Paddington Trust")	Jersey	19,515,571 Trust units	100	Property investment
Profit Vast Investment Limited	Hong Kong	Ordinary HK\$1	100	Treasury investment
Super Honorable Limited [#]	BVI	Ordinary US\$1	100	Treasury investment
Worthwell Investments Limited	BVI/Hong Kong	Ordinary US\$50,000	100	Treasury investment
Sichuan Zhong Yu Real Estate Company Limited ^{*/##} (四川中渝置地有限公司)	The People's Republic of China ("PRC")/ Mainland China	Registered US\$15,000,000	100	Property development and investment
Tibet Huixing Yuejing Corporate Management Services Limited* (西藏匯星悅景企業管理服務有限公司)	PRC/Mainland China	Registered RMB20,000,000	100	Investments holding and management

[#] These companies have no specific principal place of operations.

^{##} These companies are registered as wholly-owned foreign enterprises under PRC law.

^{###} At 31 December 2017, the equity interests of these companies were pledged to a bank to secure a bank borrowing of HK\$6,470,533,000 granted to the Group (note 29).

^{*} The English names of these companies are not official. They are direct translation from the Chinese names and are for identification purposes only.

Except for Marvel Leader Investments Limited and Mighty Gain Enterprises Limited, the equity interests of all principal subsidiaries are indirectly held by the Company.

During the year, the Group acquired KS Leasehold, Paddington Trust, Leadenhall Holding and Leadenhall Property from independent third parties. Further details of those acquisitions are included in note 33 to the financial statements.

During the years ended 31 December 2016 and 2017, the Group disposed of certain subsidiaries to independent third parties. Further details of these disposals are included in note 34 to the financial statements.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for equity and debt investments, investment properties and derivative financial instruments which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK\$") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2017. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

2.1 BASIS OF PREPARATION *(continued)*

Basis of consolidation *(continued)*

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKAS 7	<i>Disclosure Initiative</i>
Amendments to HKAS 12	<i>Recognition of Deferred Tax Assets for Unrealised Losses</i>
Amendments to HKFRS 12 included in <i>Annual Improvements to HKFRSs 2014-2016 Cycle</i>	<i>Disclosure of Interests in Other Entities: Clarification of the Scope HKFRS 12</i>

The nature and the impact of the amendments are described below:

- (a) Amendments to HKAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. Disclosure of the changes in liabilities arising from financing activities is provided in note 36 to the financial statements.
- (b) Amendments to HKAS 12 clarify that an entity, when assessing whether taxable profits will be available against which it can utilise a deductible temporary difference, need to consider whether tax law restricts the sources of taxable profit against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provided guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The amendments have had no impact on the financial position or performance of the Group as the Group has no deductible temporary differences or assets that are in the scope of the amendments.
- (c) Amendments to HKFRS 12 clarify that the disclosure requirements in HKFRS 12, other than those disclosure requirements in paragraphs B10 to B16 of HKFRS 12, apply to an entity's interest in a subsidiary, a joint venture or an associate, or a portion of its interest in a joint venture or an associate that is classified as held for sale or included in a disposal group classified as held for sale. The amendments have had no impact on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 2	<i>Classification and Measurement of Share-based Payment Transactions</i> ¹
Amendments to HKFRS 4	<i>Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts</i> ¹
HKFRS 9	<i>Financial Instruments</i> ¹
Amendments to HKFRS 9	<i>Prepayment Features with Negative Compensation</i> ²
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ⁴
HKFRS 15	<i>Revenue from Contracts with Customers</i> ¹
Amendments to HKFRS 15	<i>Clarifications to HKFRS 15 Revenue from Contracts with Customers</i> ¹
HKFRS 16	<i>Leases</i> ²
HKFRS 17	<i>Insurance Contracts</i> ³
Amendments to HKAS 28	<i>Long-term Interests in Associates and Joint Ventures</i> ²
Amendments to HKAS 40	<i>Transfers of Investment Property</i> ¹
HK(IFRIC)-Int 22	<i>Foreign Currency Transactions and Advance Consideration</i> ¹
HK(IFRIC)-Int 23	<i>Uncertainty over Income Tax Treatments</i> ²
<i>Annual Improvements 2014-2016 Cycle</i>	Amendments to a number of HKFRSs issued in March 2017 ¹
<i>Annual Improvements 2015-2017 Cycle</i>	Amendments to a number of HKFRSs ²

- ¹ Effective for annual periods beginning on or after 1 January 2018
² Effective for annual periods beginning on or after 1 January 2019
³ Effective for annual periods beginning on or after 1 January 2021
⁴ No mandatory effective date is determined but available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is described below. The actual impacts upon adoption could be different to those below, depending on additional reasonable and supportable information being made available to the Group at the time of applying the standards and the transitional provisions and policy options finally adopted.

The HKICPA issued amendments to HKFRS 2 in August 2016 that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet an employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if they elect to adopt for all three amendments and other criteria are met. The Group will adopt the amendments from 1 January 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group will adopt HKFRS 9 from 1 January 2018. The Group will not restate comparative information and will recognise any transition adjustments against the opening balance of equity at 1 January 2018. During 2017, the Group has performed a detailed assessment of the impact of the adoption of HKFRS 9. The expected impacts relate to the classification and measurement, impairment requirements and hedge accounting are summarised as follows:

(a) Classification and measurement

The Group does not expect a significant impact on its equity on applying the classification and measurement requirement of HKFRS 9. It expects to continue measuring at fair value all financial assets currently held at fair value. Equity investments currently held as available for sale will be measured at fair value through other comprehensive income as the investments are intended to be held for the foreseeable future and the Group expects to apply the option to present fair value changes in other comprehensive income. Gains and losses recorded in other comprehensive income for the equity investments cannot be recycled to profit or loss when the investments are derecognised. Debt securities are expected to be measured at fair value through other comprehensive income under HKFRS 9 as the Group expects not only to hold the assets to collect contractual cash flows, but also to sell a significant amount on a relatively frequent basis. Unlisted fund investments currently held as available-for-sale and do not meet the definition of an equity instrument will be reclassified as financial assets at fair value through profit or loss. Accordingly, the available-for-sale investment revaluation reserve related to these unlisted fund investments will be reclassified to retained earnings upon adoption of HKFRS 9.

(b) Impairment

HKFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group will apply the simplified approach and record lifetime expected losses that are estimated based on the present values of all cash shortfalls over the remaining life of all of its trade and other receivables. Furthermore, the Group will apply the general approach and record twelve-month expected credit losses that are estimated based on the possible default events on its trade and other receivables within the next twelve months. The amendments are not expected to have any significant impact on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

(b) Impairment *(continued)*

In general, the directors of the Company anticipate the application of the expected loss model of HKFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised costs and other items that subject to the impairment provisions upon application of HKFRS 9 by the Group. Based on the assessment by the directors of the Company, if the expected credit loss model were to be applied by the Group, the accumulated amount of impairment loss to be recognised by the Group as at 1 January 2018 would be slightly increased as compared to the accumulated amount recognised under HKAS 39 mainly attributable to expected credit losses provision on trade and other receivables. However, further impairment recognised under expected credit loss model would not have any significant impact on the Group's financial statements.

(c) Hedge accounting

The Group determined that all existing hedge relationships that are currently designated in effective hedging relationships will continue to qualify for hedge accounting under HKFRS 9. As HKFRS 9 does not change the general principles of how an entity accounts for effective hedges, applying the hedging requirements of HKFRS 9 will not have a significant impact on the Group's financial statements.

Amendments to HKFRS 9, issued in December 2017, allow financial assets with prepayment features that permit or require either the borrower or the lender to pay or receive reasonable compensation for the early termination of the contract to be measured at amortised cost or at fair value through other comprehensive income. The amendments clarify that a financial asset passes the "solely payments of principal and interest on the principal amount outstanding" criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for that early termination. The Group expects to adopt these amendments from 1 January 2019 and to apply the exemption from restating comparative information of prior periods. Any difference between the previous carrying amount and the adjusted carrying amount will be recognised in the opening balance of equity. The amendments do not apply to the Group as the Group does not have any debt instruments with prepayment features along with compensation for early termination. In addition, as clarified in the amendments to the basis for conclusions on HKFRS 9, the gain or loss arising on modification of a financial liability that does not result in derecognition (calculated by discounting the change in contractual cash flows at the original effective rate) is immediately recognised in profit or loss. As there is no specific relief on this clarification, this requirement shall be applied retrospectively. The Group's current accounting policy is consistent with this clarification and therefore the adoption of the amendments is not expected to have any impact on the Group.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

HKFRS 15, issued in July 2014, establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. Either a full retrospective application or a modified retrospective adoption is required on the initial application of the standard. In June 2016, the HKICPA issued amendments to HKFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt HKFRS 15 and decrease the cost and complexity of applying the standard. The directors of the Company have assessed the impact on application of HKFRS 15 and determined that the application of HKFRS 15 will not have any impact on the timing and amounts of revenue recognised in the respective reporting periods. However, the application of HKFRS 15 in the future may result in more disclosures.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

HKFRS 16, issued in May 2016, replaces HKAS 17 Leases, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessors – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. HKFRS 16 requires lessees and lessors to make more extensive disclosures than under HKAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group expects to adopt HKFRS 16 from 1 January 2019. The Group is currently assessing the impact of HKFRS 16 upon adoption and is considering whether it will choose to take advantage of the practical expedients available and which transition approach and reliefs will be adopted. As disclosed in note 37(b) to the financial statements, at 31 December 2017, the Group had future minimum lease payments under non-cancellable operating leases in aggregate of HK\$9,241,000. Upon adoption of HKFRS 16, certain amounts included therein may need to be recognised as new right-of-use assets and lease liabilities. Further analysis, however, will be needed to determine the amount of new rights of use assets and lease liabilities to be recognised, including, but not limited to, any amounts relating to leases of low-value assets and short term leases, other practical expedients and reliefs chosen, and new leases entered into before the date of adoption.

Amendments to HKAS 40, issued in April 2017, clarify when an entity should transfer property, including property under construction or development, into or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to the changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. An entity should reassess the classification of property held at the date that it first applies the amendments and, if applicable, reclassify property to reflect the conditions that exist at that date. Retrospective application is only permitted if it is possible without the use of hindsight. The Group expects to adopt the amendments prospectively from 1 January 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

HK(IFRIC)-Int 22, issued in June 2017, provides guidance on how to determine the date of the transaction when applying HKAS 21 to the situation where an entity receives or pays advance consideration in a foreign currency and recognises a non-monetary asset or liability. The interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset (such as a prepayment) or non-monetary liability (such as deferred income) arising from the payment or receipt of the advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the entity must determine the transaction date for each payment or receipt of the advance consideration. Entities may apply the interpretation on a full retrospective basis or on a prospective basis, either from the beginning of the reporting period in which the entity first applies the interpretation or the beginning of the prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation. The Group expects to adopt the interpretation prospectively from 1 January 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

HK(IFRIC)-Int 23, issued in July 2017, addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation is to be applied retrospectively, either fully retrospectively without the use of hindsight or retrospectively with the cumulative effect of application as an adjustment to the opening equity at the date of initial application, without the restatement of comparative information. The Group expects to adopt the interpretation from 1 January 2019. The amendments are not expected to have any significant impact on the Group's financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations and goodwill *(continued)*

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its investment properties, available-for-sale investments and equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than properties under development, completed properties held for sale and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property and equipment and depreciation

Property and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Land and buildings	2% or over the unexpired terms of the leases if less than 50 years
Leasehold improvements	20% or over the unexpired terms of the leases if less than 5 years
Furniture, fixtures and equipment	10% to 20%
Motor vehicles	20% to 25%

Where parts of an item of property and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

Golf club membership

Golf club membership acquired is measured on initial recognition at cost and its useful life is assessed to be indefinite.

Golf club membership is tested for impairment annually and not amortised. Its useful life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Properties under development

Properties under development are stated at the lower of cost and net realisable value and comprise construction costs, borrowing costs, professional fees, payments for land use rights and other costs directly attributable to such properties incurred during the development period.

Properties under development are classified as current assets unless the construction of the relevant property development project is expected to complete beyond the normal operating cycle. On completion, the properties are transferred to completed properties held for sale.

Sales deposits/instalments received and receivable from purchasers in respect of pre-sale of properties under development prior to completion of the development are included in current liabilities.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as revenue in the statement of profit or loss. These net fair value changes do not include any dividends on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated as at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in finance costs for loans and in other expenses for receivables.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the statement of profit or loss in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the statement of profit or loss as revenue in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in the statement of profit or loss.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of profit or loss, is removed from other comprehensive income and recognised in the statement of profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss – is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets *(continued)*

Available-for-sale financial investments *(continued)*

The determination of what is “significant” or “prolonged” requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

In the case of debt instruments classified available for sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of revenue. Impairment losses on debt instruments are reversed through the statement of profit or loss if the subsequent increase in fair value of the instruments can be objectively related to an event occurring after the impairment loss was recognised in the statement of profit or loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade payables, other payables and accruals, financial guarantee contracts and interest-bearing bank and other borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise and settle the liabilities simultaneously.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contract and interest rate swaps, to hedge its foreign currency risk and interest rate risk, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

For the purpose of hedge accounting, hedges are classified as hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting, the risk management objective and its strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group will assess the hedging instrument's effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges of a net investment

Hedges of a net investment in a foreign operation which meet the strict criteria for hedge accounting, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for as follows:

Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised in other comprehensive income while any gains or losses relating to the ineffective portion are recognised in the statement of profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to the statement of profit or loss.

Current versus non-current classification

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into current and non-current portions based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

- Where the Group expects to hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistently with the classification of the underlying item.
- Embedded derivatives that are not closely related to the host contract are classified consistently with the cash flows of the host contract.
- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instruments are separated into current portions and non-current portions only if a reliable allocation can be made.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (a) from the sale of properties, when the significant risks and rewards of the properties are transferred to the purchasers, which is when the construction of the relevant properties has been completed and the properties have been delivered to the purchasers pursuant to the sales agreement, and the collectability of related receivables is reasonably assured;
- (b) rental income from properties, in the period in which the properties are let and on a straight-line basis over the lease terms;
- (c) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset;
- (d) dividend income, when the shareholders' right to receive payment has been established; and
- (e) income from the sale of listed securities, on the trade date.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Share-based payments

The Company operates share option schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 35 to the financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or services conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Other employee benefits

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Schedule.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in central pension schemes operated by the local municipal governments. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension schemes. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension schemes.

Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Bye-laws grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to the statement of profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries, joint ventures and associates are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Operating lease commitments – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Judgements *(continued)*

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Classification between investment properties and properties held for sale

The Group develops properties held for sale and properties held to earn rentals and/or for capital appreciation. Judgement is made by management on determining whether a property is designated as an investment property or a property held for sale. The Group considers its intention for holding the properties at the early development stage of the related properties. During the course of construction, the related properties under construction are accounted for as properties under development included in current assets if the properties are intended for sale after its completion, whereas the properties are accounted for as investment properties under construction included in investment properties if the properties are intended to be held to earn rentals and/or for capital appreciation. Upon completion of the properties, the properties held for sale are transferred to completed properties held for sale and are stated at cost, while the properties held to earn rental and/or for capital appreciation are transferred to completed investment properties. Investment properties, both under construction or completed, are subject to revaluation at the end of each reporting period.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of loans and other receivables

The Group assesses at the end of the reporting period whether there is any objective evidence that a loan or a receivable is impaired. In determining whether there is objective evidence of impairment, the Group takes into consideration the ageing status and the likelihood of collection by reference to the background and repayment history of the debtors and the occurrence of any default or disputes. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on such factors as repayment plans committed by debtors, subsequent collections and estimated values of collaterals. An impairment loss is made for loans and other receivables that the present values of future cash flows are less than their carrying amounts.

At 31 December 2017, the carrying amount of loans and other receivables aggregated to HK\$216,271,000 (2016: HK\$2,216,228,000). Further details of the Group's loans and other receivables are given in notes 21 and 22 to the financial statements.

Impairment of available-for-sale financial assets

The Group classifies certain assets as available for sale and recognises movements of their fair values in equity. When the fair value declines, management makes judgement about the decline in value to determine whether there is objective evidence that an impairment loss should be recognised in the statement of profit or loss. In making this judgement, management evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its original cost; and the financial health of and short term business outlook for the investee, including factors such as industry/sector performance, changes in operational and financing cash flows.

During the year, an impairment of HK\$78,949,000 (2016: HK\$152,420,000) was recognised in the statement of profit or loss for the Group's available-for-sale investments. Further details of the Group's available-for-sale investments are given in note 18 to the financial statements.

Estimation of fair value of investment properties

The fair values of the Group's investment properties are determined by independent valuers on an open market, existing use basis. In making the judgement of determination of the fair values, consideration has been given to assumptions that are mainly based on market conditions existing at the end of the reporting period such as estimated rental value of the relevant properties and appropriate capitalisation rates. Relevant estimates are regularly compared to actual market data. More details are given in note 15 to the financial statements.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has two reportable operating segments as follows:

Property development and investment segment	–	Development and investment of properties
Treasury investment segment	–	Investments in securities and notes receivable, and provision of financial services

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit or loss, which is a measure of adjusted profit or loss before tax. The adjusted profit or loss before tax is measured consistently with the Group's profit or loss before tax except that finance costs and head office and corporate income and expenses are excluded from such measurement.

Information regarding the reportable segments is presented below.

Reportable segment information

Year ended 31 December 2017

	Property development and investment HK\$'000	Treasury investment HK\$'000	Total HK\$'000
Segment revenue			
Sales to external customers	362,591	101,970	464,561
Segment results	563,280	(41,660)	521,620
Corporate and unallocated expenses			(65,141)
Finance costs			(152,986)
Profit before tax			303,493
Other segment information:			
Share of profits/(losses) of:			
Joint ventures	1,652	–	1,652
Associates	(474)	–	(474)
Capital expenditure in respect of items of property and equipment	1,572	–	1,572
Depreciation	4,192	–	4,192
Fair value gains on derivative financial instruments	44,928	–	44,928
Fair value gains on investment properties, net	33,245	–	33,245
Fair value losses on equity investments at fair value through profit or loss, net	–	4,159	4,159
Impairment of an available-for-sale investment	–	78,949	78,949
Investments in joint ventures	3,358,046	–	3,358,046
Investments in associates	227,116	–	227,116

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4. OPERATING SEGMENT INFORMATION (continued)

Reportable segment information (continued)

Year ended 31 December 2016

	Property development and investment HK\$'000	Treasury investment HK\$'000	Total HK\$'000
Segment revenue			
Sales to external customers	881,660	247,756	1,129,416
Segment results	(70,732)	(154,305)	(225,037)
Corporate and unallocated expenses			(54,211)
Finance costs			(10,641)
Loss before tax			(289,889)
Other segment information:			
Share of profits/(losses) of:			
Joint ventures	(33,078)	–	(33,078)
Associates	39,270	–	39,270
Capital expenditure in respect of items of property and equipment	87,720	–	87,720
Depreciation	4,169	–	4,169
Fair value losses on equity investments at fair value through profit or loss, net	–	195,271	195,271
Impairment of an available-for-sale investment	–	152,420	152,420
Write-down of completed properties held for sale to net realisable value	3,305	–	3,305
Write-down of properties under development to net realisable value	1,910	–	1,910
Investments in joint ventures	319,907	–	319,907
Investments in associates	142,666	–	142,666

Geographical information

(a) Revenue from external customers

	2017 HK\$'000	2016 HK\$'000
United Kingdom	342,891	–
Mainland China	92,666	881,660
Hong Kong	29,004	247,756
	464,561	1,129,416

The revenue information above is based on the locations of the customers.

(b) Non-current assets

	2017 HK\$'000	2016 HK\$'000
United Kingdom	18,475,123	–
Mainland China	95,617	144,817
Hong Kong	197,621	432,133
Australia	156,089	–
	18,924,450	576,950

The non-current asset information above is based on the locations of the assets and excludes financial instruments.

4. OPERATING SEGMENT INFORMATION *(continued)*

Information about major customers

Revenue of HK\$59,114,000 and HK\$47,539,000 (2016: Nil) were derived from rental income of two customers in the property development and investment segment.

5. REVENUE, OTHER INCOME AND GAINS

Revenue represents gross proceeds from sales of properties, net of business tax and other sales related taxes from the sales of properties; gross rental income received and receivable from investment properties; gains/losses on disposal of equity investments at fair value through profit or loss, net; dividend and interest income from listed and unlisted investments; and interest income from loans receivable during the year.

An analysis of the Group's revenue, other income and gains is as follows:

	2017 HK\$'000	2016 HK\$'000
Revenue		
Sales of properties	19,700	881,660
Gross rental income	342,891	–
Gains/(losses) on disposal of equity investments at fair value through profit or loss, net	(17,474)	14,272
Dividend income from listed equity investments	10,406	93,580
Dividend income from unlisted equity investments	72,966	–
Interest income from debt investments	10,988	102,183
Interest income from loans receivable	25,084	37,721
	464,561	1,129,416
Other income and gains		
Bank interest income	17,309	29,967
Other interest income	32,624	54,927
Gains on bargain purchase on acquisition of subsidiaries (note 33)	101,572	–
Gain on disposal of a joint venture	84,720	–
Fair value gains on derivative financial instruments	44,928	–
Fair value gains on investment properties, net (note 15)	33,245	–
Gains on disposal of available-for-sale investments	13,248	–
Compensation from a contractor	11,346	–
Gain on disposal of subsidiaries, net (note 34)	–	57,566
Gain on disposal of items of property and equipment	176	186
Exchange gains, net	106,335	–
Others	54	392
	445,557	143,038

6. OTHER EXPENSES

An analysis of other expenses is as follows:

	2017 HK\$'000	2016 HK\$'000
Fair value losses on equity investments at fair value through profit or loss, net	4,159	195,271
Impairment of an available-for-sale investment (note 18)	78,949	152,420
Compensation to acquirers of subsidiaries disposed of in prior years	15,849	95,377
Loss on disposal of a subsidiary (note 34)	3,876	–
Losses on disposal of available-for-sale investments	–	48,142
Exchange losses, net	–	111,284
	102,833	602,494

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7. FINANCE COSTS

An analysis of finance costs is as follows:

	2017 HK\$'000	2016 HK\$'000
Interest on bank and other borrowings	152,986	16,372
Less: Interest capitalised	–	(5,731)
	152,986	10,641

8. PROFIT/(LOSS) BEFORE TAX

The Group's profit/(loss) before tax is arrived at after charging/(crediting):

	Notes	2017 HK\$'000	2016 HK\$'000
Cost of properties sold	19.2	15,356	728,223
Write-down of completed properties held for sale to net realisable value*	19.2	–	3,305
Write-down of properties under development to net realisable value*	19.1	–	1,910
Depreciation	14	4,192	4,169
Less: Amount capitalised		(25)	(231)
		4,167	3,938
Minimum lease payments under operating leases		8,895	8,735
Auditor's remuneration		5,253	3,200
Employee benefit expense (including directors' remuneration (note 9)):			
Wages and salaries		161,259	139,331
Pension scheme contributions		4,571	4,390
Less: Amount capitalised		(534)	(7,023)
		165,296	136,698
Foreign exchange differences, net	5, 6	(106,335)	111,284
Gross rental income		(342,891)	–
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties		2,749	–
Net rental income		(340,142)	–

* These amounts are included in "Cost of sales" in the consolidated statement of profit or loss.

9. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2017 HK\$'000	2016 HK\$'000
Fees	1,955	1,960
Other emoluments:		
Salaries, allowances and benefits in kind	28,290	24,500
Performance related bonuses*	37,300	22,800
Pension scheme contributions	1,274	1,085
	66,864	48,385
	68,819	50,345

* Certain executive directors of the Company are entitled to bonus payments which are determined with reference to the Group's operating results, individual performance of the directors and comparable market statistics during the year.

During the year, the Group provided a leasehold property in Hong Kong as staff quarters for one of the executive directors of the Company. The estimated monetary value of such accommodation, included in the amount disclosed above, using the rateable value as an approximation, was HK\$600,000 (2016: HK\$600,000).

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2016: Nil).

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year are as follows:

	2017 HK\$'000	2016 HK\$'000
Mr. Lam Kin Fung Jeffrey	735	700
Mr. Leung Yu Ming Steven	610	580
Dr. Wong Lung Tak Patrick	610	580
	1,955	1,860

There were no other emoluments payable to the independent non-executive directors during the year (2016: Nil).

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9. DIRECTORS' REMUNERATION (continued)

(b) Executive directors and a non-executive director

	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Performance related bonuses HK\$'000	Pension scheme contributions HK\$'000	Total remuneration HK\$'000
2017					
Executive directors:					
Mr. Cheung Chung Kiu	–	–	15,000	–	15,000
Dr. Lam How Mun Peter	–	9,960	8,000	432	18,392
Mr. Tsang Wai Choi	–	5,720	–	264	5,984
Mr. Leung Chun Cheong	–	2,730	2,000	126	4,856
Mr. Leung Wai Fai	–	4,030	4,300	182	8,512
Mr. Wong Chi Keung [#]	–	5,850	8,000	270	14,120
	–	28,290	37,300	1,274	66,864
2016					
Executive directors:					
Mr. Cheung Chung Kiu	–	–	–	–	–
Dr. Lam How Mun Peter	–	9,570	8,000	414	17,984
Mr. Tsang Wai Choi	–	5,525	3,000	255	8,780
Mr. Leung Chun Cheong	–	2,600	2,000	120	4,720
Mr. Leung Wai Fai	–	2,470	3,800	114	6,384
Mr. Wong Chi Keung [#]	–	4,335	6,000	182	10,517
	–	24,500	22,800	1,085	48,385
Non-executive director:					
Mr. Wong Yat Fai ^{##}	100	–	–	–	100
	100	24,500	22,800	1,085	48,485

[#] Mr. Wong Chi Keung was appointed as Executive Director and Deputy Chairman of the Company with effect from 1 March 2016.

^{##} Mr. Wong Yat Fai resigned as the Non-executive Director of the Company with effect from 1 March 2016.

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four (2016: three) directors, details of whose remuneration are set out in note 9 above. Details of the remuneration for the year of the remaining one (2016: two) non-director, highest paid employees are as follows:

	2017 HK\$'000	2016 HK\$'000
Salaries, allowances, and benefits in kind	3,380	5,655
Performance related bonuses	8,000	12,500
Pension scheme contributions	156	261
	11,536	18,416

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	No. of individuals	
	2017	2016
HK\$7,500,001 to HK\$8,000,000	–	1
HK\$11,000,001 to HK\$11,500,000	–	1
HK\$11,500,001 to HK\$12,000,000	1	–
	1	2

11. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable in elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2017 HK\$'000	2016 HK\$'000
Current charge for the year		
Hong Kong	522	22,528
Mainland China	7,660	65,981
United Kingdom	9,256	–
Overprovision in prior years		
Hong Kong	(363)	–
Mainland China	(2,245)	(26,392)
Land appreciation tax credit	–	(13,198)
Deferred tax (note 30)	(3,213)	17,948
Total tax charge for the year	11,617	66,867

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11. INCOME TAX (continued)

A reconciliation of the tax expense applicable to profit/(loss) before tax at the statutory rates for the jurisdictions in which the Company and the subsidiaries are domiciled to the tax expense at the effective tax rates is as follows:

	2017 HK\$'000	2016 HK\$'000
Profit/(loss) before tax	303,493	(289,889)
Tax at the statutory tax rates of different jurisdictions	36,969	(38,074)
Adjustments in respect of current tax of previous periods	(2,608)	(26,392)
Profits and losses attributable to joint ventures	(273)	5,458
Profits and losses attributable to associates	78	(6,634)
Income not subject to tax	(109,549)	(61,249)
Expenses not deductible for tax	79,523	172,988
Effect of withholding tax at 10% on the distributable profit of the Group's PRC subsidiaries	–	5,180
Effect of withholding tax at 10% on the disposal of the Group's PRC subsidiaries	–	32,115
Tax losses utilised from previous periods	–	(7,532)
Tax losses not recognised	7,477	905
Land appreciation tax	–	(13,198)
Tax effect of land appreciation tax	–	3,300
Tax expense at the Group's effective rate	11,617	66,867

The share of tax attributable to associates and joint ventures amounting to HK\$Nil (2016: HK\$2,348,000) and HK\$12,562,000 (2016: Nil), respectively, are included in "Share of profits and losses of associates" and "Share of profits and losses of joint ventures" in the consolidated statement of profit or loss.

12. DIVIDENDS

	2017 HK\$'000	2016 HK\$'000
Proposed final – HK\$0.02 (2016: Nil) per ordinary share	77,647	–

The final dividend for the year ended 31 December 2017 proposed subsequent to the reporting period has not been recognised as a liability at the end of the reporting period and is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

No interim dividend was declared in respect of the years ended 31 December 2017 and 2016.

13. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings/(loss) per share amount is based on the profit/(loss) for the year attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares in issue during the year.

The weighted average number of ordinary shares adopted in the calculation of the basic and diluted earnings per share for both years has been adjusted retrospectively to reflect the impact of the Rights Issue (as defined in note 31 to the consolidated financial statements) completed on 28 April 2017.

No adjustment has been made to the basic earnings/(loss) per share presented for the years ended 31 December 2017 and 2016 in respect of a dilution as the share options outstanding had no dilutive effect on the basic earnings/(loss) per share presented.

The calculations of basic and diluted earnings/(loss) per share are based on:

	2017 HK\$'000	2016 HK\$'000
Earnings/(loss)		
Profits/(loss) attributable to ordinary equity holders of the parent, used in the basic and diluted earnings/(loss) per share calculation	291,876	(356,756)
	Number of shares	
	2017	2016 (Restated)
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted earnings/(loss) per share calculation	3,466,735,021	2,596,793,387

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14. PROPERTY AND EQUIPMENT

	Land and buildings HK\$'000	Leasehold improvements HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
31 December 2017					
At 31 December 2016 and 1 January 2017:					
Cost	102,078	1,935	6,282	19,365	129,660
Accumulated depreciation	(5,380)	(1,893)	(4,854)	(13,696)	(25,823)
Net carrying amount	96,698	42	1,428	5,669	103,837
At 1 January 2017, net of accumulated depreciation	96,698	42	1,428	5,669	103,837
Additions	–	–	1,063	509	1,572
Disposals	–	–	(15)	(42)	(57)
Depreciation provided during the year	(1,872)	(38)	(362)	(1,920)	(4,192)
Disposal of a subsidiary (note 34(A))	–	–	(79)	(1,357)	(1,436)
Exchange realignment	–	–	34	57	91
At 31 December 2017, net of accumulated depreciation	94,826	4	2,069	2,916	99,815
At 31 December 2017:					
Cost	102,078	1,935	6,829	16,349	127,191
Accumulated depreciation	(7,252)	(1,931)	(4,760)	(13,433)	(27,376)
Net carrying amount	94,826	4	2,069	2,916	99,815
	Land and buildings HK\$'000	Leasehold improvements HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
31 December 2016					
At 1 January 2016:					
Cost	18,550	1,935	9,264	18,818	48,567
Accumulated depreciation	(5,009)	(1,830)	(5,983)	(13,768)	(26,590)
Net carrying amount	13,541	105	3,281	5,050	21,977
At 1 January 2016, net of accumulated depreciation	13,541	105	3,281	5,050	21,977
Additions	83,528	–	605	3,587	87,720
Disposals	–	–	(2)	(265)	(267)
Depreciation provided during the year	(371)	(63)	(1,371)	(2,364)	(4,169)
Disposal of a subsidiary (note 34(B))	–	–	(986)	(185)	(1,171)
Exchange realignment	–	–	(99)	(154)	(253)
At 31 December 2016, net of accumulated depreciation	96,698	42	1,428	5,669	103,837
At 31 December 2016:					
Cost	102,078	1,935	6,282	19,365	129,660
Accumulated depreciation	(5,380)	(1,893)	(4,854)	(13,696)	(25,823)
Net carrying amount	96,698	42	1,428	5,669	103,837

At 31 December 2017, one of the Group's buildings with a carrying amount of HK\$82,027,000 (2016: Nil) was pledged to secure general banking facilities granted to the Group (note 29).

15. INVESTMENT PROPERTIES

	2017 HK\$'000	2016 HK\$'000
Carrying amount at 1 January	–	–
Acquisition of subsidiaries (note 33)	14,343,476	–
Additions	1,145	–
Lease incentives	35,518	–
Net gain from fair value adjustments (note 5)	33,245	–
Exchange realignment	815,549	–
Carrying amount at 31 December	15,228,933	–

The Group's investment properties consist of two commercial properties in the United Kingdom. The directors of the Company have determined that the investment properties consist of one class of asset, i.e., commercial, based on the nature, characteristics and risks of each property. The Group's investment properties were revalued on 31 December 2017 based on valuations performed by Knight Frank Petty Limited, a firm of independent professionally qualified valuers, at HK\$15,228,933,000. Each year, the Group appointed which external valuers to be responsible for the external valuations of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The finance department includes a team that reviews the valuations performed by the external valuers for financial reporting purposes and reports directly to senior management. Discussions of valuation processes, assumptions and results are held between senior management and the external valuers twice a year when the valuations are performed for interim and annual financial reporting.

The investment properties are leased to third parties under operating leases, further summary details of which are included in note 37(a) to the financial statements.

At 31 December 2017, the Group's investment properties with a carrying value of HK\$12,089,375,000 were pledged to secure general banking facilities granted to the Group (note 29).

Further particulars of the Group's investment properties are included on page 103.

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	Fair value measurement as at 31 December 2017 using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
Recurring fair value measurement for: Commercial properties	–	–	15,228,933	15,228,933

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2016: Nil).

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15. INVESTMENT PROPERTIES (continued)

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	Commercial properties HK\$'000
Carrying amount at 1 January 2016, 31 December 2016 and 1 January 2017	–
Acquisition of subsidiaries	14,343,476
Additions	1,145
Lease incentives	35,518
Net gain from fair value adjustments	33,245
Exchange realignment	815,549
Carrying amount at 31 December 2017	15,228,933

Below is a summary of the valuation technique used and the key inputs to the valuation of investment properties:

	Valuation technique	Significant unobservable inputs	Range	
			2017	2016
Commercial properties	Income capitalisation approach	Estimated rental value (per square foot per annum)	GBP52 to GBP107.5	N/A
		Equivalent yield	4.01% to 4.98%	N/A

The fair value of the investment properties which are classified as Level 3 of the fair value hierarchy is determined by using the income capitalisation approach based on capitalisation of net income with due allowance of outgoings and reversionary income potential. Measurement of the fair value is positively correlated to the estimated rental value and inversely correlated to equivalent yield rate.

16. INVESTMENTS IN JOINT VENTURES

	2017 HK\$'000	2016 HK\$'000
Share of net assets	3,234,552	107,815
Loans to joint ventures	123,494	212,092
	3,358,046	319,907

The loans to joint ventures are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the directors, these loans are considered as part of the Group's net investments in the joint ventures.

16. INVESTMENTS IN JOINT VENTURES *(continued)*

Particulars of the Group's material joint ventures are as follows:

Name	Particulars of issued shares held	Place of incorporation/ registration and business	Percentage of		
			Ownership interest	Voting power	Profit sharing
Distinct Global Investments Limited ("Distinct Global")	Ordinary shares of US\$1 each	BVI	47	47	47
Anton Capital Investment Vehicle III ("ACIV III")	Ordinary units of AUD1 each	Australia	46	46	46
Instant Glory International Limited ("Instant Glory")	Ordinary shares of US\$1 each	BVI	50	50	50
Concept Castle Limited ("Concept Castle")	Ordinary shares of US\$1 each	BVI	50	50	50
Excel Winner Limited ("Excel Winner")	Ordinary shares of HK\$1 each	HK	50	50	50
Excel Winner UK Limited ("Excel Winner UK")	Ordinary shares of GBP1 each	England & Wales	50	50	50
Sun Vessel Global Limited ("Sun Vessel")	Ordinary shares of US\$1 each	BVI	50	50	50

Distinct Global is an investment holding company which holds a 98% equity interest of ACIV III (collectively "Distinct Global Group") and was newly invested by the Group during the year.

Instant Glory is an investment holding company which holds directly and indirectly the entire 100% equity interest of Concept Castle, Excel Winner and Excel Winner UK (collectively "Instant Glory Group") and was newly invested by the Group during the year. Excel Winner UK is a property holding company.

Sun Vessel is a vessel holding company.

Mass Luck Investments Limited ("Mass Luck") is an investment holding company which holds directly and indirectly the entire 100% equity interest of Crystal Way Investments Limited, Flourish Time Limited ("Flourish Time") and Joyous Era Limited ("Joyous Era") (collectively "Mass Luck Group"). Flourish Time and Joyous Era are property holding companies. On 16 January 2017, the Group entered into a sale and purchase agreement to dispose of its 50% interest in Mass Luck, together with a shareholder's loan owed by Mass Luck to the Group, to the joint venture partner for a total consideration of HK\$296,150,000.

All these joint ventures are unlisted and indirectly held by the Company.

Distinct Global Group, Instant Glory Group, Sun Vessel and Mass Luck Group are considered as material joint ventures of the Group and are accounted for using the equity method.

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16. INVESTMENTS IN JOINT VENTURES (continued)

The following tables illustrate the summarised financial information in respect of Distinct Global Group, Instant Glory Group, Sun Vessel and Mass Luck Group and reconciled to the carrying amount in the consolidated financial statements:

Distinct Global Group

	2017 HK\$'000
Current assets	61,325
Non-current assets	615,312
Current financial liabilities, excluding trade and other payables	(266,073)
Other current liabilities	(1,854)
Current liabilities	(267,927)
Non-current financial liabilities, excluding trade and other payables and provisions	(182,766)
Other non-current liabilities	(36,365)
Non-current liabilities	(219,131)
Net assets	189,579
Non-controlling interests	(120,229)
Net assets attributable to the owner of Distinct Global Group	69,350
Reconciliation to the Group's interests	
Proportion of the Group's ownership	47%
Group's share of net assets	32,595
Loan to Distinct Global Group	123,494
Carrying amount of the investment	156,089
Revenue	21,535
Interest income	299
Interest expense	(7,888)
Income tax expense	(36,365)
Profit for the year	87,556
Other comprehensive income for the year	4,610
Total comprehensive income for the year	92,166

Instant Glory Group

	2017 HK\$'000
Current assets	954,828
Non-current assets	5,753,753
Other current liabilities	(809)
Current liabilities	(809)
Non-current financial liabilities, excluding trade and other payables and provisions	(481,247)
Non-current liabilities	(481,247)
Net assets	6,226,525
Reconciliation to the Group's interests	
Proportion of the Group's ownership	50%
Group's share of net assets	3,113,262
Carrying amount of the investment	3,113,262
Loss for the year	(24)
Total comprehensive loss for the year	(24)

16. INVESTMENTS IN JOINT VENTURES (continued)

Sun Vessel

	2017 HK\$'000	2016 HK\$'000
Current assets	196	288
Non-current assets	176,481	202,544
Financial liabilities, excluding trade and other payables	(545)	–
Current liabilities	(545)	–
Net assets	176,132	202,832
Reconciliation to the Group's interests		
Proportion of the Group's ownership	50%	50%
Group's share of net assets	88,066	101,416
Carrying amount of the investment	88,066	101,416
Depreciation	(27,436)	(27,328)
Loss for the year	(27,934)	(27,903)
Other comprehensive income for the year	1,234	587
Total comprehensive loss for the year	(26,700)	(27,316)

Mass Luck Group

	2017 HK\$'000	2016 HK\$'000
Current assets	–	4,996
Non-current assets	–	825,441
Current financial liabilities, excluding trade and other payables	–	(424,715)
Current liabilities	–	(424,715)
Non-current financial liabilities, excluding trade and other payables and provisions	–	(408,033)
Non-current liabilities	–	(408,033)
Net liabilities	–	(2,311)
Reconciliation to the Group's interests		
Proportion of the Group's ownership	N/A*	50%
Group's share of net liabilities	–	(1,156)
Loan to Mass Luck Group	–	212,092
Carrying amount of the investment	–	210,936
Interest expense	–	(1,035)
Loss for the year	–	(2,311)
Total comprehensive loss for the year	–	(2,311)

* The Group disposed of its 50% interest in Mass Luck Group in January 2017.

The following table illustrates the aggregate financial information of the Group's joint ventures that are not individually material:

	2017 HK\$'000	2016 HK\$'000
Share of the joint ventures' loss for the year	(14,841)	(17,971)
Share of the joint ventures' other comprehensive loss	(4,527)	(2,592)
Share of the joint ventures' total comprehensive loss	(19,368)	(20,563)
Aggregate carrying amount of the Group's investments in joint ventures	629	7,555

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17. INVESTMENTS IN ASSOCIATES

	2017 HK\$'000	2016 HK\$'000
Share of net assets	226,173	142,470
Due from associates	943	196
	227,116	142,666

The amounts due from associates are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the directors, the amounts are considered as part of the Group's net investment in the associates.

Particulars of the material associates are as follows:

Name	Place of incorporation/ registration and business	Particulars of shares held	Percentage of ownership interest attributable to the Group		Principal activities
			2017	2016	
Fine Ahead Limited ("Fine Ahead")	BVI	Ordinary shares of US\$1 each	35%	–	Investment holding
PRECP Development Venture I Limited ("PRECP")	Cayman Islands	Ordinary shares of US\$1 each	31.75%	31.75%	Investment holding

The Group's shareholdings in these associates comprise equity shares held through subsidiaries of the Company.

The following table illustrates the summarised financial information in respect of Fine Ahead, PRECP and China Technology Financial Leasing and reconciled to the carrying amount in the consolidated financial statements:

Fine Ahead

	2017 HK\$'000
Current assets	2,661
Non-current assets	378,450
Current liabilities	(2,685)
Net assets	378,426
Reconciliation to the Group's interest:	
Proportion of the Group's ownership	35%
Group's share of net assets	132,449
Due from Fine Ahead	353
Carrying amount of the investment	132,802
Loss for the year	(33)
Total comprehensive loss for the year	(33)

17. INVESTMENTS IN ASSOCIATES (continued)

PRECP

	2017 HK\$'000	2016 HK\$'000
Current assets	76,111	1,020
Non-current assets	227,384	455,386
Current liabilities	(8,302)	(7,682)
Net assets	295,193	448,724
Reconciliation to the Group's interests		
Proportion of the Group's ownership	31.75%	31.75%
Group's share of net assets	93,724	142,470
Due from PRECP	590	196
Carrying amount of the investment	94,314	142,666
Profit/(loss) for the year	(1,457)	87,611
Other comprehensive income for the year	7,952	–
Total comprehensive income for the year	6,495	87,611

China Technology Financial Leasing

	2017 HK\$'000	2016 [#] HK\$'000
Revenue	–	189,885
Profit for the year	–	61,086
Other comprehensive loss for the year	–	(25,601)
Total comprehensive income for the year	–	35,485

[#] China Technology Financial Leasing was disposed of during the year ended 31 December 2016 in the disposal of Wonder Splendid (note 34(B)(b)) and therefore, details of its summarised financial information set out above only included its results of profit or loss up to the date of disposal.

18. AVAILABLE-FOR-SALE INVESTMENTS

	2017 HK\$'000	2016 HK\$'000
Notes		
Listed equity investments, at fair value	756,370	433,354
Unlisted fund investments, at fair value	1,729,241	1,600,343
Perpetual Security, at fair value (i)	–	930,000
Unlisted debt investment, at fair value (ii)	201,788	–
Carrying amount at 31 December	2,687,399	2,963,697

During the year, the gross gain in respect of the Group's available-for-sale investments recognised in other comprehensive income amounted to HK\$555,647,000 (2016: gross loss HK\$558,672,000), of which a loss of HK\$65,701,000 (2016: loss of HK\$200,562,000) was reclassified from other comprehensive income to the statement of profit or loss for the year.

There was a significant decline in the market value of an equity investment during the year. The directors consider that such a decline indicates that the equity investment has been impaired and an impairment loss of HK\$78,949,000 (2016: HK\$152,420,000), which was included in the above reclassification adjustment of HK\$65,701,000 (2016: HK\$200,562,000), has been recognised in the statement of profit or loss for the year.

The above investments consist of investments in equity and debt securities which were designated as available-for-sale financial assets.

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18. AVAILABLE-FOR-SALE INVESTMENTS (continued)

Notes:

- (i) In December 2015, the Group subscribed for a perpetual security at a net consideration of US\$168,300,000 (equivalent to HK\$1,305,049,000) (the "Perpetual Security") issued by a company (the "Issuer") listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Perpetual Security was unsecured and conferred a right to receive distribution at 9% per annum semi-annually in arrears. There was no maturity of the Perpetual Security and the payment of distribution could be deferred at the discretion of the Issuer provided that the Issuer did not declare any dividend to its equity shareholders within the 12 month period ending on the day before the date of the distribution. During the year, Perpetual Security was fully redeemed by the Issuer in January 2017.
- (ii) In June 2017, the Group subscribed for a senior note at an aggregate consideration of USD25,000,000 (equivalent to HK\$193,750,000) (the "Senior Note") issued by the Issuer. The Senior Note bears interest of 8.75% per annum, payable semi-annually and will mature in June 2025. The Issuer may redeem all or any part of the Senior Note prior to the maturity at redemption prices applicable from time to time.

19.1 PROPERTIES UNDER DEVELOPMENT

	2017 HK\$'000	2016 HK\$'000
At beginning of year	246,595	1,668,457
Additions (including development costs and capitalised interest and expenses)	7,210	311,110
Transfer to completed properties held for sale (note 19.2)	–	(1,032,446)
Disposal of subsidiaries (note 34)	(258,290)	(666,089)
Write-down to net realisable value (note 8)	–	(1,910)
Exchange realignment	4,485	(32,527)
At end of year	–	246,595

Properties under development expected to be completed:

	2017 HK\$'000	2016 HK\$'000
Beyond normal operating cycle included under non-current assets	–	–
Within normal operating cycle included under current assets	–	246,595
	–	246,595

Properties under development expected to be completed within the normal operating cycle and recovered:

	2017 HK\$'000	2016 HK\$'000
Within one year	–	246,595

19.2 COMPLETED PROPERTIES HELD FOR SALE

	2017 HK\$'000	2016 HK\$'000
At beginning of year	306,947	300,935
Transfer from properties under development (note 19.1)	–	1,032,446
Properties sold (note 8)	(15,356)	(728,223)
Write-down to net realisable value (note 8)	–	(3,305)
Disposal of subsidiaries (note 34)	(297,177)	(266,593)
Exchange realignment	5,586	(28,313)
At end of year	–	306,947

20. TRADE RECEIVABLES

	2017 HK\$'000	2016 HK\$'000
Trade receivables	5,308	–

The trade receivables primarily include rental receivables which are normally due on the first day of the billing period. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management.

An ageing analysis of the trade receivables at the end of the reporting period, based on the invoice date, is as follows:

	2017 HK\$'000	2016 HK\$'000
Within 1 month	4,230	–
3 to 6 months	1,078	–
	5,308	–

An ageing analysis of the trade receivables that are not considered to be impaired is as follows:

	2017 HK\$'000	2016 HK\$'000
Neither past due nor impaired	2,192	–
Less than 1 month past due	2,038	–
3 to 6 months past due	1,078	–
	5,308	–

Receivables that were neither past due nor impaired related to a customer for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a customer that has a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

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21. LOANS AND INTEREST RECEIVABLES

	2017 HK\$'000	2016 HK\$'000
Secured	130,452	136,503
Unsecured	–	101,019
	130,452	237,522

Note:

These loans receivable are stated at amortised cost at effective interest rates ranging from 12% to 18% per annum. The credit terms of these loans receivable range from 1 month to 12 months. As these loans receivable relate to a number of different borrowers, the directors are of the opinion that there is no concentration of credit risk over these loans receivable. The carrying amounts of these loans receivable approximate to their fair values.

At 31 December 2017 and 2016, all the loans and interest receivables are not past due, and not individually nor collectively considered to be impaired, and relate to a number of independent loan borrowers for whom there was no recent history of default.

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2017 HK\$'000	2016 HK\$'000
Consideration receivables on disposal of subsidiaries (Note)	–	1,910,875
Prepayments	5,455	3,669
Deposits and other receivables	85,819	67,831
	91,274	1,982,375

Note:

As at 31 December 2016, the consideration receivables on disposal of subsidiaries are non-interest-bearing and of which HK\$543,806,000 was secured by the pledge of equity interests in certain subsidiaries disposed of. The whole balance was fully recovered during the year ended 31 December 2017.

23. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017 HK\$'000	2016 HK\$'000
Listed equity investments, at market value	310,874	581,295

The above investments at 31 December 2017 and 2016 were, upon initial recognition, designated by the Group as financial assets at fair value through profit or loss.

Assuming the portfolio of the Group's listed equity investments remained unchanged, the market value of the Group's equity investments at fair value through profit or loss at the date of approval of these financial statements was HK\$318,484,000.

24. DEPOSITS WITH BROKERAGE COMPANIES

Deposits with brokerage companies are carried at an average interest rate of 0.001% per annum (2016: 0.004% per annum).

25. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Notes	2017 HK\$'000	2016 HK\$'000
Cash and bank balances		9,461,036	7,050,738
Time deposits		500,000	499,035
		9,961,036	7,549,773
Less: Pledged deposits	(a)	(5,072,750)	–
Restricted bank balances	(b)	(168,302)	(38,926)
Cash and cash equivalents		4,719,984	7,510,847

Notes:

- (a) The bank balances were pledged to banks to secure bank borrowings granted to the Group in the current year (note 29(a)).
- (b) The restricted bank balances as at 31 December 2017 represented deposits placed with a United Kingdom bank and the usage of which were restricted to the payments of certain obligations under a loan facility granted by certain banks. The restricted bank balances as at 31 December 2016 represented deposits placed with certain PRC banks and the usages of which were restricted to PRC property development activities.

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi (“RMB”) amounted to HK\$199,017,000 (2016: HK\$163,290,000). RMB is not freely convertible into other currencies, however, under Mainland China’s Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one month and six months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

26. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2017 HK\$'000	2016 HK\$'000
Within 1 year	–	116,352

The trade payables were non-interest-bearing and repayable within the normal operating cycle.

27. OTHER PAYABLES AND ACCRUALS

	2017 HK\$'000	2016 HK\$'000
Deposits received	–	154,505
Receipts in advance	129,656	–
Other payables	59,315	8,921
Accruals	89,519	59,278
Due to a joint venture	455,137	–
	733,627	222,704

Other payables are non-interest-bearing and are normally settled within one year.

The amount due to a joint venture is unsecured, interest-free and repayable on demand.

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28. DERIVATIVE FINANCIAL INSTRUMENTS

	2017	
	Assets HK\$'000	Liabilities HK\$'000
Forward currency contract	–	86,915
Interest rate swaps	44,739	–
	44,739	86,915
Portion classified as non-current:		
Interest rate swaps	(44,739)	–
Current portion	–	86,915

Forward currency contract – hedges of net investments

Forward currency contract with a notional amount of GBP215,000,000 is designated as a hedging instrument in respect of the hedge of net investments in certain subsidiaries in the United Kingdom. The forward currency contract balance varies with changes in foreign exchange forward rate. The forward currency contract will mature in May 2018. Further details of the hedges of net investments are set out in note 44 to the financial statements.

Interest rate swaps

During the year, the Group had entered into several interest rate swaps with a total notional amount of GBP498,000,000 whereby the Group pays interest at fixed rate of approximately 0.72% and receives interest at a variable rate equal to the London Interbank Offered Rate (“LIBOR”) on the notional amount. The interest rate swaps mature over the next 5 years and are used to manage its interest rate exposures arising from bank loans at floating rates.

These interest rate swaps are not designated for hedge purposes and are measured at fair value through profit or loss. Changes in the fair value of the non-hedging interest rate derivatives amounting to HK\$44,928,000 were credited to profit or loss during the year.

29. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2017			2016		
	Contractual interest rate	Maturity	HK\$'000	Contractual interest rate	Maturity	HK\$'000
Current						
Bank loans – secured	LIBOR+0.45% to LIBOR+0.5%	On demand	5,287,788	N/A	N/A	–
Long term bank loans repayable on demand						
– secured	HIBOR+1%	On demand	35,000	N/A	N/A	–
– unsecured	LIBOR+1.35%	On demand	1,841,790	N/A	N/A	–
Other loan – unsecured	N/A	N/A	–	12%	2017	112,208
			7,164,578			112,208
Non-current						
Bank loans – secured	LIBOR+1.5%	2022	6,470,533	N/A	N/A	–
			13,635,111			112,208
Analysed into:						
Bank loans repayable:						
On demand (Note a)			7,164,578			–
In the third to fifth years, inclusive			6,470,533			–
			13,635,111			–
Other loan repayable within one year			–			112,208
			13,635,111			112,208

29. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

Notes:

- (a) As further explained in note 44 to the financial statements, the Group's term loans with an aggregate amount of HK\$7,164,578,000 (2016: Nil) containing an on-demand clause have been classified as current liabilities and analysed into bank loans repayable on demand in the above analysis.

At the end of the reporting period, the maturity profile of interest-bearing bank and other borrowings based on the scheduled repayment dates set out in the loan agreements is as follows:

	2017 HK\$'000	2016 HK\$'000
Bank and other borrowings repayable:		
Within one year	5,360,723	112,208
In the second year	73,547	–
In the third to fifth years, inclusive	8,200,841	–
	13,635,111	112,208

- (b) Certain of the Group's bank borrowings are secured by the Group's assets with aggregate carrying amounts as listed below:

	Notes	2017 HK\$'000	2016 HK\$'000
Property and equipment	14	82,027	–
Investment properties	15	12,089,375	–
Pledged deposits	25(a)	5,072,750	–

- (c) As at 31 December 2017, all bank borrowings bear interest at floating interest rates. As at 31 December 2016, other borrowing bore interest at a fixed interest rate.

- (d) The Group's bank and other borrowings are denominated in the following currencies:

	2017 HK\$'000	2016 HK\$'000
HK\$	35,000	–
GBP	13,600,111	–
RMB	–	112,208
	13,635,111	112,208

- (e) The Group's bank borrowings of HK\$6,470,533,000 are secured by pledges over the equity interests of certain subsidiaries of the Group (note 1).

- (f) As at 31 December 2017, the Group's bank borrowings denominated in GBP in an aggregate amount of HK\$6,992,915,000 are designated as hedges of the net investments in certain subsidiaries and a joint venture in the United Kingdom. Further details of the hedges of the net investments are set out in note 44 to the financial statements.

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30. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

	Depreciation allowance in excess of related depreciation HK\$'000	Revaluation of available-for-sale investment HK\$'000	Withholding tax on dividend HK\$'000	Unrealised gain HK\$'000	Provision for land appreciation tax HK\$'000	Total HK\$'000
At 1 January 2016	290	–	12,737	7,920	–	20,947
Deferred tax charged/(credited) to the statement of profit or loss during the year (note 11)	7	–	5,180	(4,702)	4,721	5,206
Disposal of a subsidiary (note 34(B))	–	–	–	–	(1,552)	(1,552)
Exchange realignment	–	–	(705)	–	–	(705)
At 31 December 2016 and 1 January 2017	297	–	17,212	3,218	3,169	23,896
Deferred tax charged to other comprehensive income during the year	–	16,836	–	–	–	16,836
Deferred tax charged/(credited) to the statement of profit or loss during the year (note 11)	5	–	–	(3,218)	–	(3,213)
Disposal of a subsidiary (note 34(A))	–	–	(17,525)	–	(3,227)	(20,752)
Exchange realignment	–	–	313	–	58	371
At 31 December 2017	302	16,836	–	–	–	17,138

Deferred tax assets

	Provision for land appreciation tax HK\$'000	Losses available for offsetting taxable profits HK\$'000	Total HK\$'000
At 1 January 2016	1,287	11,153	12,440
Deferred tax charged to the statement of profit or loss during the year (note 11)	(1,508)	(11,234)	(12,742)
Exchange realignment	221	81	302
At 31 December 2016, 1 January 2017 and 31 December 2017	–	–	–

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5% or 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries and associates established in Mainland China in respect of earnings generated from 1 January 2008.

As at 31 December 2017, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in these subsidiaries in Mainland China for which deferred tax liabilities have not been recognised amounted to HK\$74,178,000 as at 31 December 2017 (2016: HK\$620,000).

The Group has tax losses arising in Hong Kong of HK\$212,487,000 (2016: HK\$167,173,000), subject to the agreement by the Hong Kong Inland Revenue Department, that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. As at 31 December 2016, the Group also had tax losses arising in Mainland China of HK\$51,392,000 that would expire in one to five years for offsetting against future taxable profits. Deferred tax assets had not been recognised in respect of these losses as they had arisen in subsidiaries that had been loss-making for some time and it was not considered probable that taxable profits would be available against which the tax losses can be utilised.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

31. SHARE CAPITAL

Shares

	2017 HK\$'000	2016 HK\$'000
Authorised: 5,000,000,000 (2016: 5,000,000,000) ordinary shares of HK\$0.10 (2016: HK\$0.10) each	500,000	500,000
Issued and fully paid: 3,882,334,668 (2016: 2,588,223,112) ordinary shares of HK\$0.10 (2016: HK\$0.10) each	388,233	258,822

A summary of the transactions in the Company's issued share capital is as follows:

	Number of shares in issue	Issued capital HK\$'000	Share premium HK\$'000	Total HK\$'000
At 1 January 2016, 31 December 2016 and 1 January 2017	2,588,223,112	258,822	9,524,823	9,783,645
Issue of rights shares (Note)	1,294,111,556	129,411	2,458,812	2,588,223
Share issue expenses	–	–	(6,557)	(6,557)
At 31 December 2017	3,882,334,668	388,233	11,977,078	12,365,311

Note:

On 28 April 2017, the Company completed the issue of one rights share for every two shares of the Company then held by qualifying shareholders at an issue price of HK\$2.00 per rights share (the "Rights Issue") and a total of 1,294,111,556 rights shares were issued at a total cash consideration, before expenses, of HK\$2,588,223,000.

As a result of the Rights Issue, the issued share capital of the Company increased from 2,588,223,112 shares to 3,882,334,668 shares of HK\$0.10 each. Details of the Rights Issue were disclosed in the Company's announcement dated 14 March 2017 and prospectus dated 3 April 2017.

Share options

Details of the Company's share option schemes are set out in note 35 to the financial statements.

32. RESERVES

The amounts of the Group's reserves and the movements therein for the current and the prior year are presented in the consolidated statement of changes in equity on page 38.

33. BUSINESS COMBINATIONS

For the year ended 31 December 2017

- (a) On 27 January 2017, the Group entered into two sale and purchase agreements with certain independent third parties to acquire the entire 100% equity interest in KS Leasehold and the 100% issued units in Paddington Trust, which are engaged in property investment in the United Kingdom. The total consideration of GBP290,162,000 (equivalent to HK\$2,833,566,000) (the "Cash Consideration") for the acquisitions was settled in the form of cash and the acquisitions were completed on 27 January 2017. The acquisitions were to acquire the commercial property at One Kingdom Street, London, United Kingdom, together with the leasing business associated with the property for rental earning and capital appreciation purposes.

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33. BUSINESS COMBINATIONS (continued)

For the year ended 31 December 2017 (continued)

(a) (continued)

The fair values of the identifiable assets and liabilities of KS Leasehold and Paddington Trust as at the date of acquisition were as follows:

	KS Leasehold HK\$'000	Paddington Trust HK\$'000	Total HK\$'000
Investment property	1,397,443	1,454,083	2,851,526
Prepayments, deposits and other receivables	12,838	2,378	15,216
Cash and cash equivalents	860	–	860
Other payables and accruals	(20,669)	(11,637)	(32,306)
Tax payable	(1,698)	–	(1,698)
Total identifiable net assets at fair value	1,388,774	1,444,824	2,833,598
Gain on bargain purchase recognised in other income and gains in the consolidated statement of profit or loss	1,226	(1,258)	(32)
Satisfied by cash	1,390,000	1,443,566	2,833,566

The Group incurred transaction costs of HK\$21,964,000 for this acquisition. These transaction costs have been expensed off and are included in the consolidated statement of profit or loss.

An analysis of the cash flows in respect of the acquisitions of KS Leasehold and Paddington Trust are as follows:

	KS Leasehold HK\$'000	Paddington Trust HK\$'000	Total HK\$'000
Cash consideration	1,390,000	1,443,566	2,833,566
Cash and cash equivalents acquired	(860)	–	(860)
Net outflow of cash and cash equivalents included in cash flows from investing activities	1,389,140	1,443,566	2,832,706
Transaction costs of the acquisition included in cash flows from operating activities	10,982	10,982	21,964
	1,400,122	1,454,548	2,854,670

Since the acquisitions, KS Leasehold and the Paddington Trust contributed HK\$137,729,000 to the Group's revenue and HK\$170,913,000 to the consolidated profit for the year ended 31 December 2017.

Had the combination taken place at the beginning of the year, the revenue of the Group and the profit of the Group for the year would have been HK\$478,359,000 and HK\$293,458,000, respectively.

- (b) On 1 March 2017, the Group entered into an acquisition agreement with two independent parties to acquire the 100% equity interests in Leadenhall Holding and its subsidiary, Leadenhall Property (collectively the "Leadenhall Group"), together with the related shareholders' loans, for an aggregate consideration of GBP1,137,769,000 (equivalent to HK\$11,369,693,000). Leadenhall Holding is an investment holding company and Leadenhall Property is principally engaged in property investment in the United Kingdom. The consideration was settled in the form of cash and the acquisition was completed on 25 May 2017. The acquisition was to acquire the commercial property at 122 Leadenhall Street, London, the United Kingdom, together with the leasing business associated with property for rental earning and capital appreciation purposes.

33. BUSINESS COMBINATIONS *(continued)***For the year ended 31 December 2017** *(continued)*(b) *(continued)*

The fair values of the identifiable assets and liabilities of the Leadenhall Group as at the date of acquisition were as follows:

	HK\$'000
Investment property	11,491,950
Trade receivables	1,025
Cash and cash equivalents	12,859
Other payables and accruals	(30,388)
Tax payable	(4,213)
Total identifiable net assets at fair value	11,471,233
Gain on bargain purchase recognised in other income and gains in the consolidated statement of profit or loss	(101,540)
Satisfied by cash	11,369,693

The Group incurred transaction costs of HK\$67,583,000 for this acquisition. These transaction costs have been expensed off and are included in the consolidated statement of profit or loss.

An analysis of the cash flows in respect of the acquisition of the Leadenhall Group is as follows:

	HK\$'000
Cash consideration	11,369,693
Cash and cash equivalents acquired	(12,859)
Net outflow of cash and cash equivalents included in cash flows from investing activities	11,356,834
Transaction costs of the acquisition included in cash flows from operating activities	67,583
	11,424,417

Since the acquisition, the Leadenhall Group contributed HK\$205,162,000 to the Group's revenue and HK\$137,440,000 to the consolidated profit for the year ended 31 December 2017.

Had the combination taken place at the beginning of the year, the revenue of the Group and the profit of the Group for the year would have been HK\$593,357,000 and HK\$373,588,000, respectively.

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34. DISPOSAL OF SUBSIDIARIES

(A) Year ended 31 December 2017

On 21 February 2017, the Group entered into a sale and purchase agreement to dispose of its entire 100% equity interest in Good Wave International Limited ("Good Wave", together with its subsidiaries, the "Good Wave Group"), a wholly-owned subsidiary of the Group as at 31 December 2016, to an independent third party for a total consideration of RMB186,000,000 (equivalent to HK\$208,500,000). The disposal of Good Wave Group was completed on 10 March 2017.

Details of the net assets of the Good Wave Group disposed of and their financial impacts are summarised below:

	Notes	HK\$'000
Net assets disposed of:		
Property and equipment	14	1,436
Property under development	19.1	258,290
Completed properties held for sale	19.2	297,177
Prepayments, deposits and other receivables		15,577
Tax recoverable		22,635
Restricted bank balances		54,854
Cash and cash equivalents		66,525
Trade payables		(113,102)
Other payables and accruals		(231,022)
Other borrowing		(112,208)
Tax payable		(28,782)
Deferred tax liabilities	30	(20,752)
		210,628
Exchange fluctuation reserve released upon disposal		1,748
Loss on disposal of a subsidiary	6	(3,876)
Satisfied by cash		208,500

An analysis of the net inflow of cash and cash equivalents for the year in respect of the disposal of Good Wave Group is as follows:

	HK\$'000
Cash consideration	208,500
Cash and cash equivalents disposed of	(66,525)
Net inflow of cash and cash equivalents in respect of disposal of the Good Wave Group	141,975

34. DISPOSAL OF SUBSIDIARIES (continued)

(B) Year ended 31 December 2016

Details of the net assets of the subsidiaries disposed of and their financial impacts are summarised below:

	Notes	The Xian Project HK\$'000 (note a)	The Wonder Splendid Group HK\$'000 (note b)	Total HK\$'000
Net assets disposed of:				
Property and equipment	14	1,171	–	1,171
Investments in associates		–	101,542	101,542
Properties under development	19.1	666,089	–	666,089
Completed properties held for sale	19.2	266,593	–	266,593
Prepayments, deposits and other receivables		15,144	–	15,144
Restricted bank balances		108,841	–	108,841
Cash and cash equivalents		51,782	101	51,883
Trade payables		(75,763)	–	(75,763)
Other payables and accruals		(517,391)	–	(517,391)
Tax payable		(4,550)	–	(4,550)
Deferred tax liabilities	30	(1,552)	–	(1,552)
		510,364	101,643	612,007
Exchange fluctuation reserve released upon disposal				
		43,580	10,931	54,511
Released of other comprehensive income of an associate				
		–	(2,166)	(2,166)
Gain/(loss) on disposal of subsidiaries	5	66,986	(9,420)	57,566
Satisfied by cash		620,930	100,988	721,918

An analysis of the net inflow of cash and cash equivalents for the year in respect of the disposal of subsidiaries is as follows:

	The Xian Project HK\$'000 (note a)	The Wonder Splendid Group HK\$'000 (note b)	Total HK\$'000
Cash consideration	620,930	100,988	721,918
Consideration receivables	(520,154)	–	(520,154)
Cash and cash equivalents disposed of	(51,782)	(101)	(51,883)
Net inflow of cash and cash equivalents in respect of disposal of subsidiaries	48,994	100,887	149,881

Notes:

- (a) On 14 November 2016, the Group entered into two sale and purchase agreements with two independent third parties to dispose of its entire 100% equity interests in Billion Sino Investments Limited and Xian Zhongyu Real Estate Company Limited (collectively, the “Xian Project”) and two shareholder’s loans owed by the Xian Project to the Group for an aggregate consideration of RMB555,000,000 (equivalent to HK\$620,930,000). The disposal of the Xian Project was completed on 28 November 2016.
- (b) On 5 December 2016, the Group entered into a sale and purchase agreement with an independent third party to dispose of its entire 100% equity interest in Wonder Splendid (together with its subsidiaries, the “Wonder Splendid Group”) and a shareholder’s loan owed by the Wonder Splendid Group to the Group for a total consideration of RMB90,000,000 (equivalent to HK\$100,988,000). The disposal of the Wonder Splendid Group was completed on 15 December 2016.

35. SHARE OPTION SCHEMES

(A) 2005 Scheme

The Company adopted a share option scheme on 29 April 2005 (“2005 Scheme”) which expired on 29 April 2015. Summary of the 2005 Scheme is set out below:

For the purpose of section (A) 2005 Scheme, reference to the “Eligible Group” means (i) the Company and each of its substantial shareholders; (ii) each associate or substantial shareholder or direct or indirect associated company or joint venture of the Company or any substantial shareholder referred to in (i) above; (iii) each associate or substantial shareholder or direct or indirect associated company or joint venture of any of the foregoing entities referred to in (ii) above; (iv) each associate or substantial shareholder or direct or indirect associated company or joint venture of any of the foregoing entities referred to in (iii) above; and (v) each associate or substantial shareholder or direct or indirect associated company or joint venture of any of the foregoing entities referred to in (iv) above; and reference to “Employee” means any full-time or part-time employee (including any executive and non-executive director, proposed executive and non-executive director) of any member of the Eligible Group.

Purpose

The purposes of the 2005 Scheme are to recognise the contribution of and to motivate Employees and other person(s) who may make a contribution to the Group, to provide incentives and to help the Group retain its existing Employees and recruit additional Employees and to provide them with a direct economic interest in attaining the long-time business objectives of the Group.

Participants

The participants include any director, officer and Employee of any member of the Eligible Group; and any executive, officer or employee of any business, consultant, professional and other advisers to any member of the Eligible Group or any person proposed to be appointed to any of the aforesaid positions who, in the sole opinion of the Board, has contributed or is expected to contribute to the Group.

Total number of shares available for issue and the percentage of the issued shares that it represents as at the date of this report

As at the date of this report, there was no share available for issue under the 2005 Scheme as the scheme expired on 29 April 2015.

Maximum entitlement of each participant

Unless approved by the shareholders of the Company at a general meeting, the total number of shares issued and to be issued upon the exercise of options granted to each participant (including exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the issued share capital of the Company.

Period within which the shares must be taken up under an option

An option may be exercised in accordance with the terms of the 2005 Scheme at any time during a period to be notified by the Board to each grantee. Such period of time shall not exceed 10 years from the date of grant of the option.

Minimum period for which an option must be held before exercise

Such period as may be determined by the Board pursuant to the terms of the 2005 Scheme.

The amount, if any, payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be repaid

A consideration of HK\$1 is payable on acceptance of the offer of grant of an option.

Basis of determining the exercise price

The exercise price per share shall be determined by the Board and shall be at least the higher of:

- (i) the closing price of shares as stated in the daily quotation sheet of the Stock Exchange on the date on which the option is offered, which must be a trading day;
- (ii) the average closing price of shares as stated in daily quotation sheets of the Stock Exchange for the five trading days immediately preceding the date as mentioned in (i) above; and
- (iii) the nominal value of the shares.

Life of the 2005 Scheme

The Scheme shall remain in force for a period of 10 years from 29 April 2005 to 28 April 2015.

35. SHARE OPTION SCHEMES *(continued)***(B) 2015 Scheme**

On 21 May 2015, the Company adopted a share scheme ("2015 Scheme"). Summary of the 2015 Scheme is set out below:

For the purpose of section (B) 2015 Scheme, reference to the "Eligible Group" means (i) the Company and each of its substantial shareholders; and (ii) each associate or substantial shareholder or direct or indirect subsidiary, associated company or joint venture of any of the Company or of a substantial shareholder referred to in (i) above; and (iii) each associate or substantial shareholder or direct or indirect subsidiary, associated company or joint venture of any of the foregoing entities referred to in (ii) above; and (iv) each associate or substantial shareholder or direct or indirect subsidiary, associated company or joint venture of any of the foregoing entities referred to in (iii) above; and (v) each associate or substantial shareholder or direct or indirect subsidiary, associated company or joint venture of any of the foregoing entities referred to in (iv) above.

Purpose

To provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to the participants and to serve such other purposes as the Board may approve from time to time.

Participants

Any director (or any persons proposed to be appointed as such, whether executive or non-executive), officer or employee (whether full-time or part-time) of each member of the Eligible Group; any business consultant, professional or other advisers (in the areas of legal, technical, financial or corporate managerial) (including any executive, officer or employee of such business consultant, professional and other advisers) to each member of the Eligible Group (or persons proposed to be appointed as such) who has rendered service or will render service to the Group, as absolutely determined by the Board.

Total number of shares available for issue and the percentage of the issued shares that it represents as at the date of this report

258,822,311 shares, representing approximately 6.67% of the issued shares as at 23 March 2018.

Maximum entitlement of each participants

Subject to the terms of the 2015 Scheme, not exceeding 1% of the total number of issued shares in any 12-month period.

Period within which the shares must be taken up under an option

Such period as determined by the Board pursuant to the 2015 Scheme, which shall expire not later than 10 years from the date of grant of the option.

Minimum period for which an option must be held before exercise

Such period as may be determined by the Board pursuant to the terms of the 2015 Scheme.

The amount, if any, payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be repaid

HK\$1.00, if demanded by the Company, within 7 days of the date of the demand.

Basis of determining the exercise price

Subject to the terms of the 2015 Scheme, the exercise price shall be a price solely determined by the Board and shall not less than the highest of:

- (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option which must be a business day;
- (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five consecutive business days immediately preceding the date of grant of the option; and
- (iii) the nominal value of a Share on the date of grant of the option.

Life of the 2015 Scheme

Subject to the terms of the 2015 Scheme, 10 years commencing on 21 May 2015.

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35. SHARE OPTION SCHEME (continued)

No share options were granted under the 2015 Scheme since its adoption and up to 31 December 2017. The movement of share options under the 2005 Scheme during the year is as follows:

	2017 Weighted average exercise price HK\$ per share	Number of options '000	2016 Weighted average exercise price HK\$ per share	Number of options '000
At 1 January	3.30	63,239	3.30	63,239
Adjusted upon completion of rights issue	-	923	-	-
At 31 December	3.25	64,162	3.30	63,239

There were no share options exercised under the 2005 Scheme during the years ended 31 December 2017 and 2016.

The exercise prices and exercise periods of the share options outstanding under the 2005 Scheme as at the end of the reporting period are as follows:

2017

Number of options '000	Exercise price* HK\$ per share	Exercise period
17,756	3.2229	07-05-2009 to 06-05-2019
41,536	3.2624	03-09-2010 to 02-09-2020
4,870	3.2624	01-01-2011 to 02-09-2020
64,162		

2016

Number of options '000	Exercise price* HK\$ per share	Exercise period
17,500	3.27	07-05-2009 to 06-05-2019
40,939	3.31	03-09-2010 to 02-09-2020
4,800	3.31	01-01-2011 to 02-09-2020
63,239		

* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

No share option expense was recognised by the Group during the year (2016: Nil).

At the end of the reporting period, the Company had 64,162,000 (2016: 63,239,000) share options outstanding under the 2005 Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 64,162,000 (2016: 63,239,000) additional ordinary shares of the Company and additional share capital of HK\$6,416,000 (2016: HK\$6,324,000) and share premium of HK\$202,205,000 (2016: HK\$202,297,000) (before issue expenses).

At the date of approval of these financial statements, the Company had 64,162,000 share options outstanding under the 2005 Scheme, which represented approximately 1.7% of the Company's shares in issue as at that date.

36. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities

	Interest-bearing bank and other borrowings HK\$'000
At 1 January 2017	112,208
Changes from financing cash flows	12,824,203
Decrease arising from disposal of subsidiaries	(112,208)
Finance cost	152,986
Interest paid classified as operating cash flows	(144,892)
Foreign exchange movement	802,814
At 31 December 2017	13,635,111

37. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 15) under operating lease arrangements, with leases negotiated for terms ranging from one to twenty years.

The terms of the leases generally (i) require tenants to pay rent in advance on a quarterly basis, (ii) provide for rent review, (iii) grant certain lessees tenant exercisable break clause; and (iv) require certain tenants to pay security deposits. As at 31 December 2017, security deposits received from tenants and held by the Group's property manager on trust for both the Group and the Group's tenants amounted to HK\$60,015,000 (2016: Nil).

At 31 December 2017, the Group had total future minimum lease receivables, calculated on the assumption that no tenant exercisable break clause will be exercised, under non-cancellable operating leases with its tenants falling due as follows:

	2017 HK\$'000	2016 HK\$'000
Within one year	557,900	–
In the second to fifth years, inclusive	2,217,195	–
After five years	3,328,135	–
	6,103,230	–

(b) As lessee

The Group leases certain of its office properties and staff quarters under operating lease arrangements. The leases for the office properties and staff quarters are negotiated for terms of one to three years.

As at 31 December 2017, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2017 HK\$'000	2016 HK\$'000
Within one year	5,914	5,568
In the second to fifth years, inclusive	3,327	6,177
	9,241	11,745

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38. COMMITMENTS

In addition to the operating lease commitments detailed in note 37 above, the Group had the following commitments at the end of the reporting period:

	2017 HK\$'000	2016 HK\$'000
Contracted, but not provided for:		
Property development expenditure	–	66,241
Investment in an unlisted equity investment	296,965	275,763
	296,965	342,004

39. CONTINGENT LIABILITIES

At the end of the reporting period, the Group has given a guarantee to the vendor in connection with the acquisition of a freehold land held by Instant Glory Group amounted to HK\$262,813,000.

As at 31 December 2016, the Group had given a guarantee to a bank in connection with a facility granted to Mass Luck Group up to HK\$256,250,000, and the banking facilities guaranteed by the Group to Mass Luck Group were utilised to the extent of HK\$206,250,000. The guarantee had been released through the disposal of Mass Luck in January 2017. Further details of the disposal is disclosed in note 16 to the financial statements.

40. FINANCIAL GUARANTEES

At the end of the reporting period, the Group had the following financial guarantees:

	2017 HK\$'000	2016 HK\$'000
Guarantees in respect of mortgage facilities provided for certain customers	–	83,345

The Group had arranged bank financing for certain purchasers of their property units and provided guarantees to secure the obligations of these purchasers for repayments. The guarantees terminate upon the earlier of (i) the issuance of the real estate ownership certificates which will generally be available within one year upon the completion of guarantee registration; and (ii) the satisfaction of mortgaged loans by the purchasers of properties.

Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group was responsible for repaying the outstanding mortgage principals together with any accrued interest and penalty owed by the defaulted purchasers to the banks and the banks were entitled to take over the legal titles and possession of the related properties. The guarantee period started from the dates of grant of the mortgages. The Directors considered that the fair value of the guarantees was not significant and in case of default on payments, the net realisable value of the related properties would exceed the repayment of the outstanding mortgage principals together with the accrued interest and penalties. Therefore, no provision had been made in the financial statements for the guarantees.

41. RELATED PARTY TRANSACTIONS

- Details of the Group's loans to joint ventures, balances with associates and balance with a joint venture as at the end of the reporting period are set out in notes 16, 17 and 27 to the financial statements, respectively.
- As at 31 December 2017, the Group has given a guarantee to the vendor in connection with the acquisition of a freehold land held by Instant Glory Group, further details of the guarantee are disclosed in note 39 to the financial statements.
- Compensation of key management personnel of the Group:

	2017 HK\$'000	2016 HK\$'000
Short term employee benefits paid to key management personnel	68,819	50,345

Further details of directors' emoluments are included in note 9 to the financial statements.

42. FINANCIAL INSTRUMENTS BY CATEGORY

Except for available-for-sale investments, equity investments at fair value through profit or loss and derivative financial instruments, which are measured at fair value, the financial assets and liabilities of the Group as at 31 December 2017 and 2016 are loans and receivables and financial liabilities at amortised cost.

43. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, restricted bank balances, time deposits with original maturity over three months, deposits with brokerage companies, trade receivables, trade payables, financial assets included in prepayments, deposits and other receivables, loans and interest receivables, financial liabilities included in other payables and accruals and the current portion of interest-bearing bank and other borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department headed by the director is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance controller reports directly to the directors and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the directors. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values.

The fair values of the non-current portion of interest-bearing bank borrowings has been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank borrowings as at 31 December 2017 was assessed to be insignificant. Management has assessed that the fair value of the non-current portion of interest-bearing bank borrowings approximate to its carrying amount.

The fair values of listed available-for-sale equity investments and unlisted available-for-sale debt investments are based on quoted market prices. For the rest of the unlisted available-for-sale investments measured at fair value, their fair values are derived from the net asset value per share of the investments or latest transaction prices. The directors believe that the estimated fair values, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period.

The Group enters into derivative financial instruments with various counterparties, principally financial institutions with AAA credit ratings. Derivative financial instruments, including forward currency contract and interest rate swaps, are measured using valuation techniques similar to forward pricing and swap models, using present value calculations. The models incorporate various market observable inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves. The carrying amounts of forward currency contract and interest rate swaps are the same as their fair values.

As at 31 December 2017, the marked to market value of the derivative asset position is net of a credit valuation adjustment attributable to derivative counterparty default risk. The changes in counterparty credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationship and other financial instruments recognised at fair value.

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43. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

	Fair value measurement using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
As at 31 December 2017				
Available-for-sale investments:				
Listed equity investments	756,370	–	–	756,370
Unlisted fund investments	–	1,565,084	164,157	1,729,241
Unlisted debt investments	–	201,788	–	201,788
Equity investments at fair value through profit or loss	310,874	–	–	310,874
Derivative financial instruments	–	44,739	–	44,739
	1,067,244	1,811,611	164,157	3,043,012
As at 31 December 2016				
Available-for-sale investments:				
Listed equity investments	433,354	–	–	433,354
Unlisted fund investments	–	1,600,343	–	1,600,343
Unlisted debt investments	–	930,000	–	930,000
Equity investments at fair value through profit or loss	581,295	–	–	581,295
	1,014,649	2,530,343	–	3,544,992

Liabilities measured at fair value:

	Fair value measurement using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
As at 31 December 2017				
Derivative financial instruments	86,915	–	–	86,915

The Group did not have any financial liabilities measured at fair value as at 31 December 2016.

During the year, there were no transfers of fair value measurement between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2016: Nil).

The movements in fair value measurements within Level 3 during the year are as follows:

	2017 HK\$'000
At 1 January 2017	–
Purchase	160,799
Exchange realignment	3,358
At 31 December 2017	164,157

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments include equity investments at fair value through profit or loss, available-for-sale investments, derivative financial instruments, loans and interest receivables, trade receivables, deposits and other receivables, trade and other payables, interest-bearing bank and other borrowings, pledged deposits, restricted bank balances and cash and cash equivalents. Details of the major financial instruments and the Group's relevant accounting policies are disclosed in note 2.4 to the financial statements.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk, equity price risk and liquidity risk. The directors review and agree policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's pledged deposits, restricted bank balances, cash and cash equivalents and bank borrowings with floating interest rates. The Group monitors the movement in interest rates on an ongoing basis and evaluates the exposure and the costs of available hedging for its debt obligations.

To manage its interest cost, the Group entered into interest rate swaps in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. At 31 December 2017, after taking into the effect of the interest rate swaps, approximately 38% of the Group's interest-bearing bank borrowings bore interest at fixed rates. The Group had no interest-bearing bank borrowings as at 31 December 2016.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit/loss before tax (through the impact on pledged deposits, restricted bank balances, cash and cash equivalents and bank borrowings with floating rates held by the Group at the end of the reporting period after taking into the effect of the interest rate swaps). There is no material impact on other components of the Group's equity.

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax HK\$'000
2017		
HK\$	100	74,167
US\$	100	13,963
RMB	150	2,985
GBP	100	(74,509)
HK\$	(100)	(74,167)
US\$	(100)	(13,963)
RMB	(150)	(2,985)
GBP	(100)	74,509
2016		
HK\$	100	68,144
RMB	150	2,449
HK\$	(100)	(68,144)
RMB	(150)	(2,449)

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44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk

The Group is exposed to currency risks primarily through business activities which give rise to receivables, payables and cash and bank balances that are denominated in currency other than the functional currency of the operations to which the transactions relate.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the exchange rates of currencies other than the functional currency of the operations, with all other variables held constant, of the Group's profit/loss before tax (due to changes in the fair value of monetary assets and liabilities).

	Increase/ (decrease) in rates	Increase/ (decrease) in profit before tax HK\$'000
2017		
If HK\$ weakens against RMB	5%	55,187
If HK\$ strengthens against RMB	(5%)	(55,187)
If HK\$ weakens against GBP	10%	67,910
If HK\$ strengthens against GBP	(10%)	(67,910)
	Increase/ (decrease) in rates	Decrease/ (increase) in loss before tax HK\$'000
2016		
If HK\$ weakens against RMB	3%	45,053
If HK\$ strengthens against RMB	(3%)	(45,053)

Results of the analysis as presented in the above table represent the effects on profit/loss before tax of each of the Group's entities measured in the respective functional currencies, translated into Hong Kong dollars at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those monetary assets and liabilities held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency and the bank borrowings and forward currency contract that are designated as hedges of the Group's net investments in its subsidiaries and a joint venture in the United Kingdom (see discussion below).

Hedges of net investments

A foreign currency exposure arises from net investments in subsidiaries, joint ventures and associates that have a different functional currency from that of the Group. The risk arises from the fluctuation in spot exchange rates between the functional currency of the subsidiaries, joint ventures and associates and the Company's functional currency, which causes the amount of the net investments to vary. This risk may have a significant impact on the Group's consolidated financial statements.

The Group's hedged risk in the net investment hedges is the risk of weakening GBP exchange rate against HK\$ that will result in a reduction in the carrying amount of the Group's net investments in the subsidiaries and a joint venture.

The Group uses a mixture of forward currency contract and foreign currency-denominated bank borrowings as hedging instruments. When the hedging instrument is foreign currency-denominated bank borrowings, the Group assesses effectiveness by comparing past changes in the carrying amount of the bank borrowings that are attributable to a change in the spot rate with past changes in the investment in the foreign operation due to movement in the spot rate (the offset method).

When the hedging instrument is a forward currency contract, the Group assesses effectiveness by comparing past changes in the fair value of the derivative with past changes in the investment in the foreign operation due to movement in the spot rate.

The fair value and carrying amount of the GBP denominated bank borrowings and forward currency contract as at 31 December 2017 that are designated as hedges of the Group's net investments in subsidiaries and a joint venture in United Kingdom was HK\$6,992,915,000 (2016: Nil) and HK\$86,915,000 (2016: Nil), respectively. A total foreign exchange loss of HK\$491,600,000 (2016: Nil) on translation of the bank borrowings to HK\$ at the end of the reporting period and a fair value loss of HK\$86,915,000 (2016: Nil) on forward currency contract were recognised in the Group's other comprehensive income for the year and accumulated in the exchange fluctuation reserve in equity. There was no ineffectiveness recorded from hedges of net investments for the year (2016: Nil).

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk

No credit terms are granted to the customers of the Group's property development business.

The Group has arranged bank financing for certain purchasers of property units and provided guarantees to secure the obligations of such purchasers for repayments. Details of these guarantees are disclosed in note 40 to the financial statements.

Further details in respect of the Group's exposure to credit risk arising from trade receivables and loans and interest receivables are disclosed in note 20 and 21 to the financial statements, respectively.

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual listed equity investments classified as available-for-sale investments (note 18) and equity investments at fair value through profit or loss (note 23) as at 31 December 2017. The Group's listed investments are listed on the Stock Exchange and are valued at quoted market prices at the end of the reporting period.

The market equity index for the Stock Exchange at the close of business of the nearest trading day in the year to the end of the reporting period, and its respective highest and lowest points during the year are as follows:

	31 December 2017	High/low 2017	31 December 2016	High/low 2016
Hong Kong – Hang Seng Index	29,919	30,200/ 21,884	22,001	24,364/ 18,279

The following table demonstrates the sensitivity to every 10% decrease (2016: 10% decrease) in the fair values of the listed equity investments, with all other variables held constant and before any impact on tax, based on their carrying amounts at the end of the reporting period. For the purpose of this analysis, the impact on the available-for-sale investments is on the available-for-sale investment revaluation reserve and no account is given for factors such as impairment which might impact on the consolidated statement of profit or loss.

	Carrying amount of equity investments HK\$'000	Decrease in profit before tax HK\$'000	Decrease in other components of equity HK\$'000
2017			
Equity investments listed in Hong Kong:			
– Equity investments at fair value through profit or loss	310,874	(31,087)	–
– Available-for-sale investments	756,370	–	(75,637)
Total	1,067,244	(31,087)	(75,637)

	Carrying amount of equity investments HK\$'000	Increase in loss before tax HK\$'000	Decrease in other components of equity HK\$'000
2016			
Equity investments listed in Hong Kong:			
– Equity investments at fair value through profit or loss	581,295	(58,130)	–
– Available-for-sale investments	433,354	–	(43,335)
Total	1,014,649	(58,130)	(43,335)

The Group's management manages the above exposure by maintaining a well-diversified investment portfolio.

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31 December 2017

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

Management of the Group aims to maintain sufficient cash and cash equivalents and available funding through an adequate amount of committed credit facilities to meet its projected cash flows from operations.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay, was as follows:

	On demand HK\$'000	Within 1 year HK\$'000	2017 1 to 2 years HK\$'000	3 to 5 years HK\$'000	Total HK\$'000
Interest-bearing bank borrowings (Note a)	7,164,578	96,889	122,793	6,790,132	14,174,392
Financial liabilities included in other payables and accruals	455,137	59,315	–	–	514,452
Forward currency contract	–	86,915	–	–	86,915
Interest rate swaps (net settled) (Note b)	–	7,683	(6,063)	(49,896)	(48,276)
	7,619,715	250,802	116,730	6,740,236	14,727,483
Financial guarantees issued: Maximum amount guaranteed	262,813	–	–	–	262,813

	On demand HK\$'000	Within 1 year HK\$'000	2016 1 to 2 years HK\$'000	3 to 5 years HK\$'000	Total HK\$'000
Interest-bearing other borrowings	–	124,197	–	–	124,197
Trade payables	–	116,352	–	–	116,352
Financial liabilities included in other payables and accruals	–	8,921	–	–	8,921
	–	249,470	–	–	249,470
Financial guarantees issued: Maximum amount guaranteed	289,595	–	–	–	289,595

Notes:

- (a) Included in interest-bearing bank borrowings of the Group are term loans with an aggregate principal amounts of HK\$7,164,578,000 as at 31 December 2017 (2016: Nil), of which the respective loan agreements contain a repayment on-demand clause giving the banks the unconditional right to call in the loans at any time and therefore, for the purpose of the above maturity profile, the total amount is classified as "on demand".

Notwithstanding the above clause, the directors do not believe that these bank loans will be called in their entirety within 12 months, and they consider that the loans will be repaid in accordance with the maturity dates as set out in the respective loan agreements. This evaluation was made considering: the financial position of the Group at the date of approval of the consolidated financial statements; the Group's compliance with the loan covenants; the lack of events of default, and the fact that the Group has made all previously scheduled repayments on time. In accordance with the terms of the bank loans, the contractual undiscounted payments (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) are as follows:

	Within 1 year HK\$'000	1 to 2 years HK\$'000	3 to 5 years HK\$'000	Total HK\$'000
31 December 2017	5,412,502	106,058	1,810,275	7,328,835
31 December 2016	–	–	–	–

- (b) For interest rate swaps, the undiscounted cash flows have been estimated using forward interest rates applicable at the end of the reporting period.

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2017 and 2016.

The Group monitors capital using net gearing ratio, which is net debts divided by equity attributable to owners of the parent. Net debts include interest-bearing bank and other borrowings less cash and bank balances and time deposits. The net gearing ratios as at the end of the reporting periods were as follows:

	2017 HK\$'000	2016 HK\$'000
Interest-bearing bank and other borrowings (note 29)	13,635,111	112,208
Less: Cash and bank balances and time deposits (note 25)	(9,961,036)	(7,549,773)
Net debts/(cash)	3,674,075	(7,437,565)
Equity attributable to owners of the parent	16,845,749	13,268,788
Net gearing ratio	21.8%	N/A

Notes to Financial Statements

31 December 2017

45. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2017 HK\$'000	2016 HK\$'000
NON-CURRENT ASSETS		
Property and equipment	58	98
Golf club membership	10,540	10,540
Investments in subsidiaries	1,000,390	1,000,390
Total non-current assets	1,010,988	1,011,028
CURRENT ASSETS		
Prepayments, deposits and other receivables	422	627
Due from subsidiaries	11,837,563	9,267,560
Cash and cash equivalents	129	125
Total current assets	11,838,114	9,268,312
CURRENT LIABILITIES		
Other payables and accruals	42,952	21,570
Total current liabilities	42,952	21,570
NET CURRENT ASSETS	11,795,162	9,246,742
Net assets	12,806,150	10,257,770
EQUITY		
Issued capital	388,233	258,822
Reserves (Note)	12,417,917	9,998,948
Total equity	12,806,150	10,257,770

Cheung Chung Kiu
Director

Lam How Mun Peter
Director

45. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

Note:

A summary of the Company's reserves is as follows:

	Share premium account HK\$'000	Share option reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 January 2016	9,524,823	165,272	501,273	10,191,368
Total comprehensive loss for the year	–	–	(50,068)	(50,068)
Final 2015 dividend approved	–	–	(142,352)	(142,352)
At 31 December 2016 and 1 January 2017	9,524,823	165,272	308,853	9,998,948
Rights issue	2,458,812	–	–	2,458,812
Share issue expenses	(6,557)	–	–	(6,557)
Total comprehensive loss for the year	–	–	(33,286)	(33,286)
At 31 December 2017	11,977,078	165,272	275,567	12,417,917

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payments in note 2.4 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited after the vesting period.

46. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board on 23 March 2018.

Five-Year Financial Summary

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years as extracted from the published audited financial statements is set out below.

RESULTS

	2017 HK\$'000	Year ended 31 December			2013 HK\$'000
		2016 HK\$'000	2015 HK\$'000	2014 HK\$'000	
REVENUE	464,561	1,129,416	6,620,237	10,299,888	6,844,850
PROFIT/(LOSS) BEFORE TAX	303,493	(289,889)	3,323,920	2,479,035	1,618,367
Income tax expense	(11,617)	(66,867)	(1,682,307)	(1,388,923)	(955,449)
PROFIT/(LOSS) FOR THE YEAR	291,876	(356,756)	1,641,613	1,090,112	662,918
Attributable to:					
Owners of the parent	291,876	(356,756)	1,366,665	1,068,280	505,395
Non-controlling interests	–	–	274,948	21,832	157,523
	291,876	(356,756)	1,641,613	1,090,112	662,918

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	2017 HK\$'000	At 31 December			2013 HK\$'000
		2016 HK\$'000	2015 HK\$'000	2014 HK\$'000	
Property and equipment	99,815	103,837	21,977	184,099	169,884
Investment properties	15,228,933	–	–	421,666	411,330
Prepaid land lease payments	–	–	–	121,068	124,048
Golf club membership	10,540	10,540	10,540	10,540	10,540
Investments in joint ventures	3,358,046	319,907	125,992	439,947	30,576
Investments in associates	227,116	142,666	283,550	1,503,311	1,280,688
Available-for-sale investments	2,687,399	2,963,697	3,489,172	690,448	593,865
Derivative financial instruments	44,739	–	–	–	–
Properties under development	–	–	671,340	7,324,735	8,817,886
Interests in land use rights for property development	–	–	–	961,336	2,169,803
Consideration receivable on disposal of subsidiaries	–	–	1,140,382	290,922	–
Deferred tax assets	–	–	12,440	147,076	63,724
Non-current assets	21,656,588	3,540,647	5,755,393	12,095,148	13,672,344
Current assets	10,514,449	11,095,824	11,330,611	37,626,378	36,023,444
Current liabilities	(8,837,617)	(1,343,787)	(2,583,855)	(24,111,061)	(24,916,397)
Net current assets	1,676,832	9,752,037	8,746,756	13,515,317	11,107,047
Non-current liabilities	(6,487,671)	(23,896)	(370,947)	(9,066,340)	(8,928,981)
Non-controlling interests	–	–	–	(1,747,058)	(1,665,251)
Equity attributable to owners of the parent	16,845,749	13,268,788	14,131,202	14,797,067	14,185,159

PROPERTY INTEREST HELD BY THE GROUP FOR INVESTMENT

Property Location	Usage	Attributable Area (sqf)	Tenure	The Group's Interest
One Kingdom Street, London W2 6BD, United Kingdom	Office and Car parking spaces	265,000	Freehold Interest	100%
122 Leadenhall Street, London EC3V 4PE, United Kingdom	Office, Retail and Car parking spaces	610,000	Freehold Interest	100%

Definitions

“AGM”	the annual general meeting of the Company to be held on 21 May 2018
“Board”	the board of Directors
“Bye-laws”	the bye-laws of the Company
“CG Code”	Corporate Governance Code as set out in Appendix 14 to the Listing Rules
“Companies Act”	Companies Act 1981 of Bermuda as amended from time to time
“Company”	C C Land Holdings Limited
“Director(s)”	the director(s) of the Company
“ESR”	Environmental and Social Responsibilities
“EU”	European Union
“GBP”	British Pound Sterling, the lawful currency of the United Kingdom of Great Britain and Northern Ireland
“Group”	the Company and its subsidiaries
“HIBOR”	Hong Kong Interbank Offered Rate
“HK\$” or “HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong” or “HKSAR”	the Hong Kong Special Administrative Region of the PRC
“kWh”	Kilowatt hour
“LIBOR”	London Interbank Offered Rate
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“PRC” or “China” or “Mainland China”	The People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company
“sqf”	square feet
“sqm”	square meters
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“UK”	United Kingdom, the United Kingdom of Great Britain and Northern Ireland
“US\$” or “USD”	United States dollars, the lawful currency of the United States of America
“%”	per cent